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No. 15-446

In the Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC, PETITIONER

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE PETITIONER

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QUESTIONS PRESENTED

In 2011, Congress enacted the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, which established new post-grant adjudicatory proceedings for challenges to the validity of patents. The Act created a body within the Patent and Trademark Office, called the Patent Trial and Appeal Board (Board), to hear those challenges as a quick and cost-effective alternative to litigation. One of the new types of adjudicative proceedings, inter partes review (IPR), has been both unexpectedly popular and surprisingly lethal. Since the inception of IPR, patent challengers have filed over 3,900 petitions, and nearly 87% of the IPR trials completed to date have resulted in the cancellation of some or all claims in the patent under review.

A primary reason for the high cancellation rate is that, although IPR was expressly designed to be a surrogate for litigation, the Board does not use the same claim construction standard as federal courts. Rather than construe the claim in an issued patent according to its plain and ordinary meaning, as a federal court would be required to do, the Board gives the claim its broadest reasonable interpretation, which is a protocol used by examiners in reviewing patent applications. Of course, the broader the interpretation of the claim, the more extensive the array of relevant prior art—and in turn the more likely that the claim will be held invalid in light of that prior art. Consequently, the Board's broad interpretation allows for differing determinations of validity in IPR proceedings and litigation.

Over a dissent by Judge Newman, a divided panel of the Federal Circuit affirmed the Board's use of the broadest-reasonable-interpretation standard for claim construction in IPR proceedings. The panel majority also held that, even if the Board had exceeded its statutory authority in instituting an IPR proceeding in the first place, the Board's decision to institute was judicially unreviewable. The court of appeals denied rehearing by a vote of 6-5, over a joint dissent by Chief Judge Prost and Judges Newman, Moore, O'Malley, and Reyna, as well as a separate dissent by Judge Newman. The five dissenting judges addressed the merits of, and would have rejected, the Board's claim construction standard.

The questions presented are as follows:

1. Whether the court of appeals erred in holding that, in IPR proceedings, the Board may construe claims in an issued patent according to their broadest reasonable interpretation rather than their plain and ordinary meaning.

2. Whether the court of appeals erred in holding that, even if the Board exceeds its statutory authority in instituting an IPR proceeding, the Board's decision whether to institute an IPR proceeding is judicially unreviewable.

PARTIES TO THE PROCEEDINGS

Petitioner is Cuozzo Speed Technologies, LLC. Respondent is Michelle K. Lee, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, who intervened in the court of appeals to defend the decision of the Patent Trial and Appeal Board after Garmin International, Inc. and Garmin USA, Inc. reached a settlement with petitioner and withdrew from the case.

CORPORATE DISCLOSURE STATEMENT

Petitioner Cuozzo Speed Technologies, LLC has no parent corporation, and no publicly held company owns 10 percent or more of its stock.

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BRIEF FOR THE PETITIONER

OPINIONS BELOW

The amended opinion of the court of appeals on rehearing (Pet. App. 1a-47a) is reported at 793 F.3d 1268. The opinions respecting the court's denial of rehearing en banc (Pet. App. 50a-67a) are reported at 793 F.3d 1297. The original opinion of the court of appeals (Pet. App. 68a-108a) is reported at 778 F.3d 1271. The final decision of the Patent Trial and Appeal Board (Pet. App. 109a-167a) is reported at 108 U.S.P.Q.2d 1852. The decision of the Patent Trial and Appeal Board to initiate trial for inter partes review (Pet. App. 168a-198a) is not reported but is available at 2013 WL 5947691.

JURISDICTION

The court of appeals entered its original judgment on February 4, 2015. The court of appeals issued an amended opinion, and denied the petition for rehearing (Pet. App. 48a-49a), on July 8, 2015. The petition for a writ of certiorari was filed on October 6, 2015, and granted on January 15, 2016. The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

STATUTORY AND REGULATORY PROVISIONS INVOLVED

The relevant statutory and regulatory provisions are set forth in the appendix to the petition, see Pet. App. 199a-223a, and in the appendix to this brief, see App., *infra*, 1a-37a.

STATEMENT

A. The America Invents Act

1. In the early 2000s, commentators criticized the Patent and Trademark Office (PTO) for issuing too many patents that were likely to be invalidated upon review. See, *e.g.*, Mark A. Lemley & Bhaven Sampat, *Is the Patent Office a Rubber Stamp?*, 58 Emory L.J. 181, 181 (2008). Congress became increasingly concerned that these patents were creating uncertainty in the marketplace, increasing costly litigation, and impeding innovation. See Pet. App. 32a-33a (Newman, J., dissenting).

Parties also lacked an efficient way to challenge a patent's validity. A challenger could submit a request for inter partes reexamination to the PTO. Such proceedings were relatively infrequent, however, because patent owners could freely amend and strengthen their claims in an iterative process with a patent examiner, challengers were limited in any subsequent litigation, and the reexaminations themselves could be costly and time-consuming. See Pet. App. 54a (joint dissent of Prost, C.J., and Newman, Moore, O'Malley, Reyna, JJ.); H.R. Rep. No. 112–98, at 45–46 (2011); Michael J. Mauriel, *Patent Reexamination's Problem: The Power to Amend*, 46 Duke L.J. 135, 137 (Oct. 1996). Challengers instead typically brought or responded to litigation, but that also was often expensive and slow. Pet. App. 54a; *id.* at 32a-33a (Newman, J., dissenting).

To address those issues, after six years of hearings and wide collaboration with stakeholders, Congress enacted the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011), with the goal of improving the quality of patents, and reducing un-

necessary litigation costs. See H.R. Rep. No. 112-98, at 39-40. The cornerstone of the Act is its creation of a new adjudicatory proceeding before the PTO to decide the validity of issued patents. The new proceeding—inter partes review or IPR—was created to "provide a reliable early decision, by technology-trained patent-savvy adjudicators, with economies of time and cost." Pet. App. 33a (Newman, J., dissenting).

The AIA replaced the former system of inter partes reexamination with this new adjudicatory proceeding. See H.R. Rep. No. 112–98, at 46-47 ("The Act converts inter partes reexamination from an examinational to an adjudicative proceeding, and renames the proceeding 'inter partes review.'"). The AIA also formed a body within the PTO, the Patent Trial and Appeal Board, to adjudicate challenges to patent validity. 35 U.S.C. 6. The Board is comprised of specially trained administrative patent judges, not patent examiners. Congress's goal was to create "a completely new type of PTO proceeding," Pet. App. 54a (joint dissent)—specifically, an "adversarial evidentiary proceeding" that could "reliably resolve most issues of patent validity, without the expense and delay of district court litigation," *id.* at 32a (Newman, J., dissenting).[1]

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[1] In the AIA, Congress created three new administrative proceedings in which the Board adjudicates challenges to the validity of issued patents: inter partes review (which is at issue in this case); post-grant review; and transitional post-grant review, also known as "covered business method" or "CBM" review. See 35 U.S.C. 311-319, 321-329; AIA 18(a)-(d), 125 Stat. at 329-331. Post-grant review is available to challenge issued patents during the first nine months after issuance or re-issuance (whereas IPR governs patents outside the nine-month window). See 35 U.S.C. 321(c). CBM review (which

2. Under the new IPR system, a person other than the patentee initiates a challenge to the validity of an issued patent by filing a petition with the PTO, and the Board adjudicates validity based on the parties' arguments rather than conducting its own examination. 35 U.S.C. 311(a), 318(a). The petitioner may challenge patent claims "only on a ground that could be raised under [S]ection 102 [novelty] or 103 [obviousness] and only on the basis of prior art consisting of patents or printed publications." 35 U.S.C. 311(b). The petition must identify with particularity "the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim." 35 U.S.C. 312(a)(3). The patentee then has "the right to file a preliminary response to the petition * * * that sets forth reasons why no inter partes review should be instituted." 35 U.S.C. 313.

Within three months after the patentee's preliminary response is due, a panel of three judges of the Board must decide whether to institute IPR. 35 U.S.C. 314(b); 37 C.F.R. 42.108.[2] Congress authorized the Board to institute IPR only upon "deter-

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sunsets in 2020) allows challenges to patents covering a financial product or service by those who have been sued or charged with infringement. See AIA 18(a)-(d), 125 Stat. at 329-331.

[2] The AIA actually charges the Director of the PTO with deciding whether to institute IPR and the Board with adjudicating the ensuing trials. The Director, however, has delegated institution authority to the Board, meaning that there is no independent check within the agency on the Board's authority over the entire IPR process. The PTO typically assigns the institution decision and the final decision to the same panel. The Federal Circuit recently approved that practice. See *Ethicon Endo-Surgery, Inc.* v. *Covidien LP*, No. 2014-1771, 2016 WL 145576, at *1 (Fed. Cir. Jan. 13, 2016).

min[ing] that the information presented in the petition * * * and any response * * * shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." 35 U.S.C. 314(a). The Board's decision whether to institute IPR is "final and nonappealable." 35 U.S.C. 314(d).

If the panel decides to institute IPR, the case proceeds to discovery and trial. IPR litigation is similar to district court litigation in many respects. The petitioner and patentee exchange initial disclosures. 37 C.F.R. 42.51. The parties may then seek discovery of relevant evidence, including depositions of the other side's declarants. 35 U.S.C. 316(a)(5); 37 C.F.R. 42.51-42.53. The parties brief issues related to the validity of the patent claims at issue, 35 U.S.C. 316(a)(8); 37 C.F.R. 42.23-42.24, 42.120, and then either party may request oral argument before the Board, 35 U.S.C. 316(a)(10); 37 C.F.R. 42.70.

Unlike the former system of inter partes reexamination, inter partes review is not an examinational process. Patent examiners guided by the Manual of Patent Examining Procedure (PTO Manual) play no role, and the Board is not authorized to perform an examinational review, such as searching the prior art or formulating grounds of rejection. In addition, unlike the liberal right to amend claims and iterative back-and-forth between patent owner and examiner in inter partes reexamination, IPR allows the patentee to make a single motion to amend, but only after first conferring with the Board. See 35 U.S.C. 316(d)(1); 37 C.F.R. 42.121(a). The motion is presumptively limited to substituting one amended claim for each challenged claim, and the motion may be denied for various reasons, including if the amendment "does not re-

spond to a ground of unpatentability involved in the trial" or "seeks to enlarge the scope of the claims of the patent or introduce new subject matter." 37 C.F.R. 42.121(a). Unlike examinational proceedings, the single permitted motion must be made before the Board has finally construed the claim, before any rejection of the claim, and without the benefit of either communications with an examiner or any reasoned rejection that an examiner would provide the patentee.

Following the parties' evidentiary presentations and trial before the three-judge panel, the Board must "issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added" by amendment. 35 U.S.C. 318(a). The entire IPR, including the Board's final decision, must be completed swiftly: within one year from the date of institution, absent an extension for good cause. 35 U.S.C. 316(a)(11); 37 C.F.R. 42.100(c). Any party to the IPR "who is dissatisfied with the final written decision * * * may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit." 35 U.S.C. 141(c).

B. Proceedings Before The Board

1. Petitioner Cuozzo Speed Technologies, LLC (Cuozzo) was granted a patent on an invention that alerts drivers when they are speeding without the need to search for and read speed-limit signs. The invention integrates a GPS unit and an in-vehicle display to provide a visual indication to the driver when he is exceeding the speed limit at the vehicle's present location. Cuozzo's patent claims thus cover "a speed-

ometer integrally attached to [a] colored display." Pet. App. 3a.

In September 2012, Garmin International, Inc. and Garmin USA, Inc. (collectively, Garmin) filed an IPR petition challenging, *inter alia*, claims 10, 14, and 17 of the Cuozzo patent. A three-judge panel of the Board denied all "grounds on which the challenge to [claims 10 and 14 were] based," 35 U.S.C. 312(a)(3), but the Board applied to those claims combinations of prior art cited by Garmin with respect to claim 17. Pet. App. 188a, 192a-193a. The Board then instituted IPR for all three claims, determining there was a reasonable likelihood that all of the claims were obvious. *Id.* at 196a-197a. Cuozzo had no notice that the Board would apply grounds asserted for invalidity of claim 17 to claims 10 and 14, and did not file a preliminary response to the petition.

2. In November 2013, following discovery, briefing, and argument, the same panel issued a final written decision invalidating claims 10, 14, and 17 as obvious under 35 U.S.C. 103. Pet. App. 109a-167a. The Board explained that "[a]n appropriate construction of the [claim] term 'integrally attached' * * * is central to the patentability analysis." *Id.* at 116a. Rejecting Cuozzo's construction of the ordinary meaning of the claim term "integrally attached," the Board gave the term its "broadest reasonable construction." *Id.* at 117a-120a. Using that construction, the Board found that claims 10, 14, and 17 were obvious based on the same combinations of prior art on which it had relied in instituting review. *Id.* at 166a. Cuozzo appealed to the Federal Circuit, and although Cuozzo and Garmin reached a settlement, the PTO intervened to defend the Board's decision.

C. Proceedings Before The Federal Circuit

1. Over a vigorous dissent by Judge Newman, the panel majority affirmed the Board's decision in its entirety. Pet. App. 1a-47a.[3]

a. The panel majority first held that the Board's decision to institute IPR was judicially unreviewable. Pet. App. 7a. The panel majority acknowledged Cuozzo's argument that, for claims 10 and 14, "the PTO relied on prior art that Garmin did not identify in its petition as grounds for IPR as to those two claims." *Id.* at 6a. The panel majority also acknowledged that the PTO may institute IPR only if the Board "determines that the information presented in the petition * * * and any response * * * shows that there is a reasonable likelihood that the petitioner would prevail." *Ibid.* (quoting 35 U.S.C. 314(a)). The panel majority nevertheless held that judicial review was barred by the AIA, which provides that the decision "whether to institute an inter partes review under this section shall be final and nonappealable." 35 U.S.C. 314(d). In the panel majority's view, Section 314(d) bars review even if the Board acts *ultra vires* by instituting IPR on grounds and evidence that are not identified with particularity in the petition. Pet. App. 7a.

b. Turning to the merits, the panel majority held that the Board had permissibly adopted the broadest-reasonable-interpretation standard for claim construction in IPR. Pet. App. 11a-21a. The panel majority observed that the BRI standard "has been ap-

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[3] On rehearing, the panel majority and Judge Newman withdrew their original opinions, see Pet. App. 68a-108a, and issued amended opinions with substantial revisions, see *id.* at 1a-47a. This brief refers to those amended opinions.

plied by the PTO and its predecessor for more than 100 years in various types of PTO proceedings." *Id.* at 13a. Based on that history, the panel majority concluded that when Congress created the new system of IPR, it "impliedly approved the existing rule" for use in IPR, notwithstanding Congress's intent to replace inter partes reexamination with court-like adjudication and the material differences between IPR and earlier types of PTO proceedings. *Id.* at 15a.

In the alternative, the panel majority held that even if Congress had not intended claims to be given their broadest reasonable interpretation, the PTO's regulation adopting that standard in IPR is a valid exercise of the agency's rulemaking authority and entitled to *Chevron* deference. Pet. App. 18a-21a. According to the panel majority, although the PTO does not have the "power to interpret substantive statutory 'patentability' standards," and granting such authority would be "a radical change in the authority historically conferred on the PTO by Congress," the PTO has the authority to "embod[y] in a regulation the approach it has uniformly applied, even without rulemaking, when it is interpreting 'claims' to assess patentability." *Id.* at 20a.

c. Judge Newman dissented. Pet. App. 30a-47a. In her view, the Act "plainly contemplated that the new PTO tribunal would determine [the] validity of issued patents on the legally and factually correct claim construction, not on a hypothetical 'broadest' expedient as is used in examination of proposed claims in pending applications." *Id.* at 34a. Congress expressly created IPR, Judge Newman explained, to serve as an adjudicatory "surrogate for district court litigation of patent validity," and it therefore is inconsistent with both the AIA and the sensible develop-

ment of patent law to have different claim construction standards for agency and court proceedings. *Id.* at 30a-31a. Judge Newman further explained that the PTO lacks substantive rulemaking authority, but in any event she would not have deferred to the PTO regulation because it defeats Congress's purpose of "substituting administrative adjudication for district court adjudication." *Id.* at 45a.

As to the Board's decision to institute IPR, Judge Newman noted that the Board had violated the plain terms of the AIA by relying "on arguments and evidence that had not been raised in the Petition to Institute, although the statute requires that all arguments and evidence must be presented in the Petition." Pet. App. 31a. Criticizing the panel majority's "casual disregard of this statutory provision" and citing the presumption in favor of reviewability of agency action, Judge Newman concluded that Section 314(d) was intended to "control interlocutory delay" and does not preclude review of whether the Board exceeded its statutory authority. *Id.* at 31a, 46a.

2. Cuozzo filed a petition for rehearing en banc supported by numerous amici recognized as leaders in the field of intellectual property. Over a joint dissent by Chief Judge Prost and Judges Newman, Moore, O'Malley, and Reyna, as well as a separate dissent by Judge Newman, the court of appeals denied rehearing by a vote of 6-5. In addition to urging rehearing, the dissenting judges would have rejected the Board's use of the BRI protocol.

a. Judge Dyk (who authored the panel majority's decision), joined by Judges Lourie, Chen, and Hughes, concurred in the denial of rehearing. Pet. App. 51a-52a. The concurrence reiterated the panel majority's reasoning that "[t]he PTO has applied the

broadest reasonable interpretation standard in a variety of proceedings for more than a century," and "[n]othing in the [AIA] indicates congressional intent to change" that standard. *Id.* at 51a.

b. Chief Judge Prost and Judges Newman, Moore, O'Malley, and Reyna jointly dissented from the denial of rehearing. Pet. App. 52a-61a. The joint dissent began by taking issue with the conclusion that Congress had "implicitly approved" the BRI standard. *Id.* at 53a (quoting *id.* at 18a). The joint dissent explained that the AIA created "a wholly novel procedure" and Congress's "[s]ilence has no meaning in this context." *Id.* at 54a. To the contrary, Congress wanted a "court-like proceeding" as "a far-reaching surrogate for district court validity determinations," *ibid.* (internal quotation marks omitted), and "[t]he panel majority fails to explain why Congress (or anyone else) would have thought it desirable or necessary for the Board to construe the claims during IPRs under a different legal framework than the one used by district courts," *id.* at 54a-55a.

The joint dissent also explained that "[the] background of existing law not only fails to support the conclusion drawn by the panel majority, [but] it points to the *opposite* result." Pet. App. 55a (emphasis in original). Previous cases hold that "the broadest reasonable interpretation standard is a useful tool, *prior* to patent issuance, for clarifying the metes and bounds of an invention during the back-and-forth between the applicant and examiner when claims are not yet in their final form." *Ibid.* (collecting cases; emphasis in original). By contrast, IPR proceedings are like district court litigation: "there is no back-and-forth between the patentee and examiner seeking to resolve claim scope ambiguity; there is no robust

right to amend." *Id.* at 57a. IPR proceedings thus lack the "examinational hallmarks" justifying the BRI standard in other contexts. *Ibid.*

Finally, the joint dissent disagreed that the PTO's regulation is entitled to deference. Pet. App. 59a-61a. The joint dissent observed that the PTO has statutory authority "to prescribe *procedural* regulations" governing IPR proceedings—not "to prescribe regulations on any issue that 'affects' decisions to institute or later proceedings." *Id.* at 59a-60a (emphasis in original). And even assuming the regulation is procedural, the joint dissent reasoned that "deference is still not warranted" because "the PTO's regulation [is] unreasonable." *Id.* at 60a. The joint dissent concluded that "in IPRs, as in district court litigation, an already issued claim is being analyzed solely for the purposes of determining its validity," and "it makes little sense to evaluate the claim against the prior art based on anything [other] than the claim's actual meaning." *Id.* at 61a.

c. Judge Newman separately dissented from the denial of rehearing for substantially the same reasons as her panel dissent—namely, that the Board's standard is illogical and contrary to the AIA. Pet. App. 61a-67a.

SUMMARY OF ARGUMENT

I. A. The panel majority incorrectly held that Congress implicitly approved use of the BRI protocol in IPR. Courts and the International Trade Commission (ITC) have long assessed patent validity by giving claims their actual meaning, thereby evaluating the claims based on what the PTO actually issued and what the patentee owns. Although the PTO has long given claims their broadest reasonable interpretation

in *examinational* proceedings, it has done so to assess and, if necessary, adjust the scope of such claims, which are treated as fluid and amendable at the will of the applicant. In all of the proceedings where the PTO uses the BRI protocol—initial examinations, reexaminations of unexpired patents, reissues, and interferences—applicants may amend their claims as part of an iterative exchange with the examiner. The BRI protocol is used before the patent issues to ensure claim language is precise; use of that protocol in post-issuance IPR reintroduces needless ambiguity in determining validity.

B. In the AIA, Congress recognized that inter partes reexamination did not provide an efficient alternative to litigation for challenges to patent validity. Congress therefore created an entirely new system: inter partes review, or IPR. The Act's text, structure, and history all make clear that IPR is a first-of-its-kind adjudicatory proceeding within the agency. The parties engage in discovery, briefing, and argument before a three-judge panel, which is authorized to cancel the challenged claims based on the parties' arguments. Examiners do not play any role, there is no iterative process to arrive at patentable claim language, and the patentee has exceedingly limited ability to amend any rejected claim. IPR is thus exactly what Congress said it is: a substitute for district court and ITC litigation. Using a different claim construction standard in IPR from district courts and the ITC is fundamentally at odds with Congress's scheme.

The Board's use of the BRI protocol in IPR defeats Congress's aim of substituting administrative adjudication for district court adjudication, because it leads to "different results" than the ordinary-meaning construction used by courts. *Ethicon Inc.* v. *Quigg*,

849 F.2d 1422, 1428 (Fed. Cir. 1988). Because of the use of the BRI protocol, patented inventions have been given different meanings before the Board and district courts, and indeed the same claim in the same patent has been declared not invalid in district court but declared invalid by the Board based on the same prior art. Such "different results" harm the integrity of the patent system and discourage investment in innovation when the same invention is upheld in one forum only to be canceled in another.

II. A. In the alternative, the panel majority incorrectly deferred to the PTO's regulation adopting the "broadest reasonable construction" in IPR. 37 C.F.R. 42.100(b). That regulation is not a valid exercise of the PTO's rulemaking authority, because the agency lacks the power to promulgate substantive rules and Section 42.100(b) undeniably concerns a matter of substantive rights. The standard used in construing claims measures the scope of the patent owner's property right. It therefore ignores reality to say that the regulation does not effect a change in individual rights.

B. Even if the PTO has the authority to promulgate substantive rules, Section 42.100(b) is not entitled to deference because it is a manifestly unreasonable interpretation of the AIA. Most obviously, it defeats Congress's aim of substituting administrative adjudication for district court adjudication. The regulation promotes an alternative forum that is not a substitute for litigation and actually proliferates rather than reduces costly litigation. It also allows the meaning of a patent claim to change depending on the inquiry at issue (validity or infringement) and the chosen forum (the agency, district court, or the ITC).

III. A. The AIA places strict limits on the Board's authority to institute IPR proceedings. As relevant here, the Board may institute IPR of all or only some of the challenged claims, but it must do so on the basis of the specific challenges set forth in the IPR petition with respect to each claim. See 35 U.S.C. 312(a)(3); 37 C.F.R. 42.108. Here, the Government correctly has not attempted to argue that the Board respected that limit on its authority. See Br. in Opp. 17-22. The Board took combinations of prior art cited by Garmin with respect to claim 17 of Cuozzo's patent and applied them to claims 10 and 14. By doing so, the Board defeated Cuozzo's option to respond to the actual art cited against the challenged claim and made it impossible for the Board—as it must—to consider the patentee's response to the petitioner's particularized showing. See 35 U.S.C. 314(a). The Board itself has recognized that it may not select its own combinations of prior art in deciding whether to institute IPR.

B. The Government argues instead that the Board's unlawful action is unreviewable under 35 U.S.C. 314(d), which provides that the Board's decision whether to institute IPR is "final and nonappealable." But Section 314(d) bars only an appeal of the Board's institution decision when issued. A bar on interlocutory appeals makes sense because the Board is normally required to complete the IPR proceeding within one year. The AIA separately provides for appeal of the Board's final decision, and—as the Government previously argued—nothing should prevent a party from raising errors committed at earlier stages of the IPR. Certainly Section 314(d) can and should be interpreted that way in light of the strong presumption favoring judicial review of *ultra vires* agency action. At a minimum, Section 314(d) may not bar

appeals that the Board plainly ignored unambiguous statutory limits on its institution authority.

IV This Court should reverse the judgment below and remand the case to the Board for application of the correct ordinary-meaning standard. The Court also should make clear that the Board's institution decision will be reviewable in future proceedings on remand. At a minimum, the Court should reverse and remand for the Federal Circuit to determine whether the Board exceeded its statutory authority.

ARGUMENT

The panel majority provided two rationales for allowing the PTO to use a different claim construction standard in IPR than is used in federal courts and the ITC: Congress impliedly adopted the BRI standard, and even if it did not, the PTO's regulation adopting the standard is valid and entitled to deference. Neither of those rationales is correct. The panel majority compounded its error by holding that, even if the Board never had the authority to institute IPR in the first place, the Board's unlawful action is not judicially reviewable. The net result is an agency with a blank check to eliminate valid property rights without meaningful oversight from the Federal Circuit.

I. CONGRESS DID NOT AUTHORIZE THE PTO TO DEPART FROM THE ORDINARY-MEANING STANDARD FOR ADJUDICATING PATENT VALIDITY.

At the time Congress enacted the AIA, there were two distinct ways to challenge a patent: bring suit in district court (or respond to a complaint or petition in the ITC), or request reexamination by the PTO. Those were and still are fundamentally different pro-

ceedings with different purposes and rules. Litigation is *adjudicatory*: it evaluates the actual, ordinary meaning of an issued patent claim, which is a fixed property right. That is what the patentee was granted, what the patentee may claim in an infringement action, and what the public has notice of. By contrast, reexamination is, as its name says, *examinational*: it reassesses the scope of the patent claim, which is treated as fluid and changeable. The claim is given its broadest reasonable interpretation as part of a back-and-forth exchange between the patentee and examiner to make the claim language clear and guard against a later overbroad construction.

The question here is whether Congress meant IPR to explore and clarify claim language (*i.e.*, to be examinational) or to test whether the actual claims as issued are valid against a defined set of prior art (adjudicatory). The answer is obviously the latter. Congress repeatedly noted that reexamination did not meet its intended purpose, and it designed IPR to meet that purpose: a quicker and cheaper substitute for litigation. In IPR, panels of experienced patent judges oversee discovery, receive briefing and expert analyses, hear oral argument, and issue written decisions—all so that they may determine validity based on what claims *actually* mean, not what they hypothetically *might* mean under someone's idea of a claim's "broadest reasonable" construction. The PTO has never come to grips with the text, structure, and legislative history of the AIA, all of which show that Congress intended IPR proceedings to function as a surrogate for litigation, not as a process that reaches different validity determinations from courts for the same invention. Instead the PTO has fallen back on its familiar BRI protocol, but that protocol is wholly

out of place in the newly created adjudicatory context of IPR.

A. Courts and the PTO have long distinguished between patent adjudication and patent examination.

1. Adjudication tests validity by using the fixed meaning of legally operative property rights.

a. The Patent Act requires that every patent "conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or a joint inventor regards as the invention." 35 U.S.C. 112(b). The claims define the invention and mark the scope of the patent owner's right to exclude. See *Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996) (A claim is that "portion of the patent document that defines the scope of the patentee's rights."). Claim construction is thus critical to patent law. Defining the scope of the invention plays an important role in virtually every case because it is the first step in evaluating validity and infringement. See *TI Grp. Auto. Sys. (N. Am.), Inc.* v. *VDO N. Am., L.L.C.*, 375 F.3d 1126, 1139 (Fed. Cir. 2004); *Vitronics Corp.* v. *Conceptronic, Inc.*, 90 F.3d 1576, 1581-1582 (Fed. Cir. 1996).

b. As this Court explained last Term, "a judge, in construing a patent claim, is engaged in much the same task as the judge would be in construing other written instruments, such as deeds, contracts, or tariffs." *Teva Pharms. USA, Inc.* v. *Sandoz, Inc.*, 135 S.Ct. 831, 837 (2015). Namely, the court applies the usual rules of construction in order to ascertain the true meaning of the words in the document, albeit through the eyes of one of ordinary skill in the art.

See *Goodyear Dental Vulcanite Co.* v. *Davis*, 102 U.S. 222, 227 (1880) ("[A] patent, like any other written instrument, is to be interpreted by its own terms."); *Bates* v. *Coe*, 98 U.S. 31, 38 (1878) ("[T]he claims of the patent, like other provisions in writing, must be reasonably construed * * * in ascertaining the true intent and meaning of the language employed in the claims."). Accordingly, courts have long construed the claims of a patent according to their "ordinary meaning * * * as understood by a person of skill in the art" at the time of the invention. *Phillips* v. *AWH Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005) (en banc).[4]

In construing patent claims, courts should "be careful not to enlarge, by construction, the claim which the Patent Office has admitted, and which the patentee has acquiesced in, beyond the fair interpretation of its terms." *Burns* v. *Meyer*, 100 U.S. 671, 672 (1879). First, it is part of the basic bargain of patent law. "A patentee discloses his invention to the public in exchange for a limited monopoly, as defined by the claims of the patent. To invalidate those claims using a different standard than one that considers the true meaning and scope of a claim would violate the bargain the patentee struck with the public." Pet. App. 56a (joint dissent); see *id.* at 65a (Newman, J.,

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[4] In construing a patent claim, the court asks what the ordinary meaning of the claim would be to a person skilled in the art rather than one unskilled. See *Bischoff* v. *Wethered*, 76 U.S. 812, 815 (1869). That principle is "based on the well-settled understanding that inventors are typically persons skilled in the field of the invention and that patents are addressed to and intended to be read by others of skill in the pertinent art." *Phillips*, 415 F.3d at 1313. But whether the court asks what the claim terms mean to a skilled artisan or a layperson, the court's task remains to give the words their ordinary meaning to a particular audience.

dissenting). It would be "unjust to the public, as well as an evasion of the law, to construe [a patent claim] in a manner different from the plain import of its terms." *White* v. *Dunbar*, 119 U.S. 47, 52 (1886).

Second, when a court construes the claims of a patent, it is "defining the federal legal rights created by the patent document." *Markman* v. *Westview Instruments, Inc.*, 52 F.3d 967, 978 (Fed. Cir. 1995) (en banc). The public must be able to ascertain the scope of that right to avoid infringement. See *Vitronics Corp.*, 90 F.3d at 1583. Of course, the public can do so only if courts "similarly analyze the text of the patent and its associated public record and apply the established rules of construction, and in that way arrive at the true and consistent scope of the patent owner's rights to be given legal effect." *Markman*, 52 F.3d at 979; see *Merrill* v. *Yeomans*, 94 U.S. 568, 573-574 (1876).

Third, interpreting patent claims according to their ordinary meaning promotes uniformity. Congress and this Court have regularly been guided by the goal of consistent claim construction and objective determinations of the scope of patent rights. This goal was in no small part responsible for the creation of a single appellate court to hear all appeals of patent cases. See H.R. Rep. No. 97-312, at 20-23 (1981); *Markman*, 517 U.S. at 390. Similarly, uniformity in claim construction was an "independent reason" this Court determined that claim construction is a matter of law for the court. *Ibid.*[5]

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[5] The ITC is authorized to investigate the importation of goods that infringe a U.S. patent. See 19 U.S.C. 1337. In determining patent validity and infringement, the ITC uses the same claim construction standard as courts. See *Kyocera Wireless Corp.* v. *ITC*, 545 F.3d 1340, 1346 (Fed. Cir. 2008).

2. Examination assesses the scope of fluid, changeable patent claims.

a. By contrast, the PTO has long applied a different claim construction protocol in patent examinations, when the proposed claims are susceptible to amendment and not yet in their final form. The PTO's patent examiners give pending claims the "broadest interpretation of which they reasonably are susceptible." *In re Carr*, 297 F 542, 544 (D.C. Cir. 1924); see PTO Manual § 2111 (9th ed. Oct. 2015). The use of an artificially broad claim construction serves a wholly different purpose in examination than in litigation because the examiner's duty is different than the duty of courts. Courts are tasked with giving the claims a "fixed, unambiguous, legally operative meaning" to determine the actual scope of the granted invention. *Chimie* v. *PPG Indus., Inc.*, 402 F.3d 1371, 1377 (Fed. Cir. 2005). Before claims are fixed, however, the examiner's duty is to ensure that the claims clearly cover only what the inventor is entitled to claim.

When examining a patent application, examiners use the BRI protocol to "facilitate exploring the metes and bounds to which the applicant may be entitled, and thus to aid in sharpening and clarifying the claims during the application stage, when claims are readily changed." *In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009). By adopting the broadest reasonable interpretation of the claims, the examiner maximizes the scope of prior art that could invalidate the claims, and in an iterative process explores with the applicant the claim terms that accurately encompass an allowable invention. The "[a]pplicants' interests are not impaired" by a broad construction because "they are not foreclosed from obtaining appropriate coverage for

their invention with express claim language." *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984). The applicant has the "ability to amend his claims to avoid cited prior art," *id.* at 1572, and thereby avoid prejudice from construing the proposed claims differently than what they actually mean.

The applicant's right to amend is absolute; the PTO's permission is not required while the application is pending. See 35 U.S.C. 132; 37 C.F.R. 1.111. Thus, if the examiner rejects the broadest reasonable interpretation of a proposed claim as unpatentable (and explains her rationale), the applicant may freely narrow the claim by amendment or by advancing limiting arguments that become part of the prosecution history used to give the claim its ordinary meaning. Through that back-and-forth between examiner and applicant, the claim language is refined to "correspond with [the applicant's] contribution to the art." *Yamamoto*, 740 F.2d at 1572; *In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989). The BRI protocol thus "serves the public interest by reducing the possibility that claims, finally allowed, will be given broader scope than is justified." *Yamamoto*, 740 F.2d at 1572; see PTO Manual § 2111. The BRI protocol also helps patentees by "protect[ing] the real invention" and "prevent[ing] needless litigation after the patent has issued." *Carr*, 297 F at 544.

b. The PTO has adopted the BRI protocol in various types of post-issuance proceedings that, like initial examinations, assess the scope of patent claims, explain any objections to claim language, and allow the patentee to amend.

i. In 1980, Congress created ex parte reexamination. See Pub. L. No. 96-517, ch. 30, 94 Stat. 3015. Any person may file a petition alleging a "substantial

new question of patentability." 35 U.S.C. 302, 303(a). If the PTO agrees, it initiates a reexamination proceeding involving only the applicant and the PTO, and considers the claims as if the patent had never issued. See 35 U.S.C. 304, 305; 37 C.F.R. 1.550. The purpose of reexamination is "to 'start over' in the PTO with respect to the limited examination areas involved, and to *re* examine the claims, and to *examine* new or amended claims, as they would have been considered if they had been originally examined in light of all of the prior art of record in the reexamination proceeding." *In re Etter*, 756 F.2d 852, 857 (Fed Cir. 1985) (en banc) (emphasis in original).

Because reexamination is the functional equivalent of an initial examination, it uses the same claim construction standard to advance the same goals. The examiner is required to give a claim its broadest reasonable interpretation, and if the examiner determines that the claim is unpatentable under that construction, the patentee has a right to amend the claim to distinguish the invention from the prior art and address the examiner's rationale for rejection. Any prejudice to testing claim language by artificially construing the language in ways different from its plain meaning is eliminated or at least substantially ameliorated by the applicant's ability to amend. See 35 U.S.C. 305 ("In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto."). Indeed, the Federal Circuit has upheld the PTO's use of the BRI protocol in reexamination proceedings precisely because Section 305 addresses prejudice by giving patentees the right to amend their claims. *Yamamoto*, 740 F.2d at 1572; *In re Hyatt*, 211 F.3d 1367, 1372 (Fed. Cir. 2000).

Notably, the PTO does *not* use the BRI protocol in reexaminations of expired patents. On occasion, the PTO is asked to reexamine a patent that has expired, because the statute of limitations still allows for infringement damages based on conduct during the patent term. See PTO Manual § 2211. In that circumstance, the patentee cannot amend its expired claims, see 37 C.F.R. 1.530(j), and the reexamination is effectively nothing more than an alternative forum to district courts for adjudicating validity. In such circumstances, the PTO has instructed examiners to use the same standard as district courts by giving patent claims their ordinary meaning. See PTO Manual § 2258G; *In re Rambus, Inc.*, 753 F.3d 1253, 1256 (Fed. Cir. 2014). The PTO has thus recognized that it is the function of a proceeding and the patentee's ability to amend that determine the applicable claim construction standard.

ii. In 1999, in response to criticism that ex parte reexamination did not allow for third-party participation, Congress created inter partes reexamination. Pub. L. No. 106-113, 113 Stat. 1501. Inter partes reexamination was wildly unsuccessful, in no small part because the presence of a challenger to the patent did not fit well within an iterative process between examiner and patentee involving frequent claim amendment. See Sherry M. Knowles, *et al.*, Inter Partes *Patent Reexamination in the United States*, 86 J. Pat. & Trademark Off. Soc'y 611, 614 (2004) ("It would be legal malpractice to recommend a client initiate an *inter partes* reexamination.") (internal quotation marks omitted). That is why Congress eventually repealed inter partes reexamination and replaced it with IPR. But during its existence, inter partes reexamination was conducted according to the same basic

procedure as initial examination and ex parte reexamination: if the examiner rejected the claim based on its broadest reasonable meaning, the patentee could freely respond and amend the claim. See 35 U.S.C. 314 (2010); 37 C.F.R. 1.937.

iii. Finally, a patentee may request that its patent be reissued. 35 U.S.C. 251(a). Whereas reexamination is aimed at correcting errors made by the PTO in the initial application, reissue is aimed at correcting errors made by the applicant. See *Patlex Corp.* v. *Mossinghof*, 758 F.2d 594, 604 (Fed. Cir. 1985). Reissue applications are "examined in the same manner as a non-reissue, non-provisional application." 37 C.F.R. 1.176. The patent examiner therefore construes the claims according to their broadest reasonable interpretation, and the patent owner is not prejudiced because he may readily amend the claims in response to the examiner's views to obtain protection commensurate with his actual invention. See *In re Reuter*, 670 F.2d 1015, 1019 (C.C.P.A. 1981).[6]

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[6] The PTO also applies the BRI protocol in interference proceedings, which are a "contest * * * between an application and either another application or a patent" to determine "which party first invented the commonly claimed invention." PTO Manual § 2301. The BRI protocol is used in interferences because a patentee may "narrow its claims by filing an application to reissue the patent [and] requesting that the reissue application be added to the interference." *Bamberger* v. *Cheruvu*, 55 U.S.P.Q.2d 1523, 1526 (B.P.A.I. 1998) (unpublished). The AIA changed from a "first-to-invent" to a "first-inventor-to-file" system, and thus interference proceedings eventually will be eliminated.

B. Congress created IPR as a substitute for district court adjudication of patent validity, not as an extension of the examination process.

The Board and the panel majority both recognize that "inter partes review is neither a patent examination nor a patent reexamination," but is "a trial, adjudicatory in nature." *Google Inc.* v. *Jongerius Panoramic Techs., LLC*, IPR2013-00191, Paper 50, at 4 (P.T.A.B. Feb. 13, 2014); Pet. App. 17a. As the Federal Circuit recently held, IPR is "distinctly different from a typical PTO examination or reexamination." *Nike, Inc.* v. *Adidas AG*, No. 2014-1719, 2016 WL 537609, at *3 (Fed. Cir. Feb. 11, 2016).[7] And as the Government correctly acknowledges, the BRI protocol is "simply 'an examination expedient.'" Br. in Opp. 16 (quoting *Skvorecz*, 580 F.3d at 1267). It naturally follows that Congress would not have intended an examinational standard different from that used by courts to govern its newly created process for adjudicating patent validity. The text, structure, and history of the AIA all confirm that common-sense conclusion. IPR is a substitute for, and should use the same claim construction standard as, district court adjudication.

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[7] As the PTO acknowledged in a recent report to Congress, IPR was "designed to be a faster and less expensive alternative to district court litigation for resolving patentability." U.S. Patent and Trademark Office, *Report to Congress: Study and Report on the Implementation of the Leahy-Smith America Invents Act* 12 (Sept. 2015). The AIA "respond[ed] to criticism of the inter partes reexamination process and converted [it] from an examination to an adjudicative proceeding named inter partes review." *Id.* at 33.

1. The AIA's text and structure show that IPR is a surrogate for district court adjudication.

a. Most obviously, Congress fashioned the IPR system as far more similar to district court adjudication than examination. During IPR, the Board adjudicates the arguments raised by the parties rather than conducting an examination of the patent. The patentee and the challenger have the opportunity to obtain document discovery, take depositions, present fact-witness declarations and expert reports, submit briefs, and participate in an oral argument before a panel of three judges of the Patent Trial and Appeal Board. 35 U.S.C. 316; 37 C.F.R. 42.23-42.24, 42.51-42.53, 42.70. As in district court litigation, the party challenging the patent has the burden to prove that the challenged claims are invalid. 35 U.S.C. 316(e). Following trial, the Board must issue a final written decision determining whether the petitioner has met its burden and canceling any claim determined to be invalid. 35 U.S.C. 318. The invalidation of claims by the Board has the same legal effect as the invalidation of claims by a district court.[8]

Moreover, the AIA instructs the Board, in considering certain of the patentee's previous statements

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[8] A determination of unpatentability by the Board results in cancellation of the claims. 35 U.S.C. 318(a)-(b). Although courts do not "cancel" claims adjudicated to be invalid, the patentee is estopped from asserting those claims again. See *Blonder-Tongue Labs., Inc.* v. *Univ. of Ill. Found.*, 402 U.S. 313, 350 (1971). As with district court litigation, the patentee in IPR is not given an opportunity to amend after claims have been rejected, contrary to examinational proceedings. There is thus nothing examinational about IPR. Rather, IPR determines the validity of patent claims no less than litigation before district courts or the ITC.

about claim scope, "to determine *the proper meaning* of a patent claim." 35 U.S.C. 301(d) (emphasis added). If Congress had intended for the Board to use a patentee's previous statements as part of the BRI analysis, it would have been odd to refer to "the proper meaning" of a patent claim rather than its broadest reasonable meaning. The more natural inference—and the only one consistent with the structure and purpose of IPR—is that Congress intended the Board to adopt the governing practice in district courts and to consider prosecution history in determining a claim's actual meaning. See *Phillips*, 415 F.3d at 1314.

Because IPR is a surrogate for court proceedings, the AIA also created a new tribunal called the Patent Trial and Appeal Board to conduct IPR trials. 35 U.S.C. 6(c). The Board is comprised of administrative patent judges who rule on the challenger's assertions that a claim is invalid and are not bound by the examiner's exhaustive rules set out in the PTO Manual. See *Commerce, Justice, Science, and Related Agencies Appropriations for 2012: Hearings Before a Subcomm. of the H. Comm. on Appropriations*, 112th Cong. 196 (Mar. 2, 2011) (statement of David Kappos, PTO Director) (The Board's members are trained as "judges," because the Board is "not examining patent applications, [it is] adjudicating."). Those judges are instructed to rely only on prior art cited in the parties' filings. Unlike in examinational proceedings, there should be no "independent examination by the [PTO] where a prior art search is performed." Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board; Proposed Rules, 80 Fed. Reg. 50,720, 50,723-50,724 (Aug. 20, 2015). The Board does not examine or informally ex-

press its views as an examiner may. The very nature of the IPR system is adjudicatory, not examinational.

b. The fact that the BRI protocol is inimical to the purpose of IPR also is shown by Congress's elimination of the right to amend claims. Congress did so although the case law repeatedly noted that the BRI protocol was only justified, and prejudice to patentees only ameliorated, by the patentee's liberal ability to amend. See *Yamamoto*, 740 F.2d at 1571; *Hyatt*, 211 F.3d at 1372. In IPR, the patentee may file one "motion to amend" but must first confer with the Board. 35 U.S.C. 316(d); 37 C.F.R. 42.121(a). The motion is presumptively limited to substituting one amended claim for each challenged claim, and the motion may be denied if the amendment "does not respond to a ground of unpatentability involved in the trial" or "seeks to enlarge the scope of the claims of the patent or introduce new subject matter." 37 C.F.R. 42.121(a). Significantly, unlike in examinational proceedings, the motion must be made before any claim is rejected and before the Board must express any final rationale as to why the claim is invalid. See 37 C.F.R. 42.121(a)(1).

Moreover, the Board's standard for granting a motion to amend in IPR is extremely high. The patent owner bears the burden "to show a patentable distinction of each proposed substitute claim over the prior art" and "persuade the Board that the proposed substitute claim is patentable over the prior art of record, and over prior art not of record but known to the patent owner." *Idle Free Sys., Inc.* v. *Bergstrom, Inc.*, IPR2012-00027, Paper 26, at 7 (P.T.A.B. June 11, 2013); see *Nike*, 2016 WL 537609, at *5 (upholding the PTO's rule imposing the burden of establishing the patentability of proposed substitute claims on the pa-

tentee). As a result, the Board almost always denies motions to amend. "[O]f the 86 motions to amend filed in IPR proceedings as of June 30, 2015, *five* have been granted." BIO Cert. Amicus Br. 11 (emphasis in original).

Indeed, the PTO has justified the constricted amendment process precisely on the ground that IPR is an adjudicatory proceeding. "[A] 'motion to amend' a patent during an IPR proceeding should not—and cannot—be treated in the same way as an amendment during an examination proceeding. IPR proceedings are not examinational in nature; they are adjudicatory proceedings." *Microsoft Corp.* v. *Proxyconn, Inc.*, No. 2014-1542, Docket entry No. 50, at 7 (Fed. Cir. Apr. 27, 2015) (PTO Letter). "[W]hen a patent owner files a 'motion to amend' its patent in an IPR, it is not simply amending the claims, as it might during examination, permitting the [PTO] then to assess patentability. Rather it is a *motion to amend a patent* in an adjudicatory proceeding where no examination takes place." *Ibid.* (emphasis in original).

Even on the rare occasions when the Board grants the motion to amend, cancels the issued claim, and substitutes the amended claim, the basic function of the IPR remains unchanged: to adjudicate the validity of the (new) claim. The IPR does not somehow become examinational in any sense that would warrant using the BRI protocol. The panel simply proceeds to determine the validity of the new claim rather than the old one. As with all IPRs, if the panel rejects the claim as invalid, the patentee has no opportunity to amend; its only recourse is an appeal to the Federal Circuit. See 35 U.S.C. 141(c). Accordingly, although the patentee has no right to amend and very little practical ability to amend, even its theoretical ability

to amend in a handful of cases does not change the fundamentally adjudicatory nature of IPR.

c. The AIA's estoppel and stay provisions confirm that Congress designed IPR as an alternative to litigation. If the petitioner has filed a declaratory judgment action in district court, the Board may not institute an IPR. 35 U.S.C. 315(a)(1). Conversely, once the petitioner files for IPR, any later-filed declaratory judgment action is automatically stayed. 35 U.S.C. 315(a)(2). Congress thus prevented a party from simultaneously litigating both an IPR and an action in district court for a declaration of invalidity. Congress did so because it intended that both the Board and district courts would perform the same function: ascertain the actual meaning of claims and determine whether those claims are valid. In addition, once the Board issues a final decision, the petitioner is estopped from asserting in any subsequent district court action "that the claim is invalid on any ground that the petitioner raised or reasonably could have raised" during the IPR. 35 U.S.C. 315(e)(2). Again, Congress permitted a patent challenger only one bite at the invalidity apple, whether in IPR or district court litigation, because it intended that the Board and district courts would reach a consistent result based on the same pool of potential prior art. The BRI standard thwarts that straightforward goal.

2. The AIA's legislative history confirms that IPR is a surrogate for district court adjudication.

Congress originally created reexamination as a more efficient alternative to district court litigation. H.R. Rep. No. 112-98, at 45. Over time, however, it became clear that neither type of reexamination—

ex parte or inter partes—served that goal. *Id.* at 45-46; see S. Rep. No. 110-259, at 18-19 (2008). Given "the chorus of concerns" with reexamination, Congress "determined that it would be simpler, and ultimately better, to make a clean start" by replacing inter partes reexamination with "a quick, inexpensive, and reliable alternative to district court litigation to resolve questions of patent validity." *Id.* at 20.[9]

To accomplish that end, the Act converted the former system of "inter partes reexamination from an examinational to an adjudicative proceeding, and renam[ed] the proceeding 'inter partes review.'" H.R. Rep. No. 112-98, at 46-47. Congress knew that the PTO would have to implement the transition, but in accordance with IPR's adjudicatory purpose. See, *e.g.*, 157 Cong. Rec. S1376 (Mar. 8, 2011) (Sen. Kyl) ("Among the reforms that are expected to expedite these proceedings are the shift from an examinational to an adjudicative model."). In light of Congress's explicit recognition that inter partes reexamination did not serve the purpose IPR was intended to create, and its desire to create an adjudicatory alternative, Congress cannot possibly have expected or impliedly authorized the PTO to borrow its claim construction standard from the very proceeding (inter partes reexamination) that Congress was consciously replacing.

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[9] See, *e.g.*, H.R. Rep. No. 112-98, at 48 (IPR provides a "quick and cost effective alternative[] to litigation."); 157 Cong. Rec. S951 (Feb. 28, 2011) (Sen. Hatch); 157 Cong. Rec. S1111 (Mar. 2, 2011); 157 Cong. Rec. S1350 (Mar. 8, 2011) (Sen. Leahy).

3. IPR is not a surrogate for litigation when it uses a different claim construction standard that leads to different results.

The use of the BRI standard is plainly inconsistent with Congress's aim of substituting administrative adjudication for district court adjudication. Under the AIA, a patent challenger may elect to file either a federal lawsuit (or counterclaim to an infringement allegation) or an IPR petition, meaning that either district courts or the Board may decide whether patent claims are invalid pursuant to "[S]ection 102 [novelty] or 103 [obviousness]." 35 U.S.C. 311(b). The Board's use of the BRI standard means that the Board may consider different prior art and reach a different validity decision regarding the same invention. Accordingly, using the BRI standard in IPR—far from creating a substitute—has led to forum-shopping, proliferated litigation, and created substantial unfairness for patentees.

For example, in *Whitserve, LLC* v. *Computer Packages, Inc.*, 694 F.3d 10 (2012), the Federal Circuit upheld a jury verdict of infringement of 14 patent claims. See *id.* at 21. Two years later, the Board issued a final decision invalidating nine of those claims based on similar prior art considered in the district court litigation. *Google, Inc.* v. *Whitserve LLC*, IPR2013-00249, Paper 32, at 3 (Sept. 9, 2014). The Board asserted that the inconsistency between its decision and the Federal Circuit's decision was justified by the fact that the Board applies the BRI protocol instead of the ordinary-meaning standard. *Id.* at 21. Similarly, in *Paice LLC* v. *Hyundai Motor Co.*, a jury returned a verdict finding nine patent claims not invalid. See No. 1:12-cv-00499-MPG, Docket entry No. 756 (D. Md. Oct. 7, 2015) (special verdict form).

Months later, the Board rejected the court's ordinary-meaning claim construction and invalidated two of the claims, as well as many more related claims, based on similar prior art rejected in the district court. See *Ford Motor Co.* v. *Paice LLC*, IPR2014-00904, Paper 41, at 9, 21 (Dec. 10, 2015); *Ford Motor Co.* v. *Paice LLC*, IPR2014-00875, Paper 38, at 30 (Nov. 23, 2015).

In numerous other cases, the Board and district courts have reached conflicting conclusions on the validity of the same invention.[10] As a result of the conflicting standards, patentees can no longer rely on the finality of district court adjudication, and challengers are encouraged to take multiple bites at the invalidity apple. The dual standard has thus become a tool to harass patentees with repeated challenges to a patent's validity.

Predictably, the use of BRI has led to the proliferation of costly litigation. Patent challengers have filed IPR petitions in droves to take advantage of the Board's more favorable standard. Since September 2012 when the AIA took effect, the PTO has received more than 3,900 IPR petitions. Of those, the Board has already completed at least 732 IPR trials, with 636 (or nearly 87%) ending in the cancellation of some or all of the patent claims. See U.S. Patent and Trademark Office, Patent Trial and Appeal Board Statistics 12/31/2015 (PTO Statistics), at 9. The use of

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[10] See, *e.g.*, *Interdigital Commc'ns., Inc.* v. *ZTE Corp.*, No. 1:13-cv-00009-RGA, Docket entry No. 431, at 4, 7 (D. Del. Oct. 28, 2014) (verdict form); *ZTE Corp.* v. *IPR Licensing, Inc.*, IPR2014-00525, Paper 48, at 10-13, 33 (P.T.A.B. Sept. 14, 2015); *Ultratec, Inc.* v. *Sorenson Commc'ns., Inc.*, No. 3:13-cv-00346-BBC, Docket entry No. 658, at 3-4 (W.D. Wisc. Oct. 23, 2014) (special verdict form); *CaptionCall, LLC* v. *Ultratec, Inc.*, IPR2013-00540, Paper 78, at 5-8, 26-27, 53 (P.T.A.B. Mar. 3, 2015).

the BRI standard in IPR has weakened the integrity of the patent system, led to the same invention's meaning different things, undermined the goal of uniformity, and failed to carry out the intent of the AIA.

II. THE PTO'S REGULATION IS INVALID AND NOT ENTITLED TO DEFERENCE.

The court of appeals relied in the alternative on a regulation promulgated by the PTO that directs the Board to give claims their "broadest reasonable construction" rather than their plain and ordinary meaning. 37 C.F.R. 42.100(b). The PTO, however, has long been denied the power to prescribe substantive rules. The AIA continues that tradition by authorizing the PTO to prescribe rules governing the conduct of IPR. It does not authorize the PTO to alter the substantive standard used to determine the scope and validity of a patent. And even if the PTO had such authority, its regulation would not be entitled to deference because it is not a reasonable interpretation of the AIA.

A. Section 42.100(b) is not a valid exercise of the PTO's rulemaking authority.

1. The PTO has only procedural rulemaking authority.

a. The PTO has long lacked the authority to promulgate substantive rules. Under the Patent Act, the PTO may establish regulations to "govern the conduct of proceedings in the Office," 35 U.S.C. 2(b)(2)(A), which is "the broadest of the Office's rulemaking powers," *Stevens* v. *Tamai*, 366 F.3d 1325, 1333 (Fed. Cir. 2004). The Federal Circuit has held that "[t]o comply with [S]ection 2(b)(2)(A), a Patent Office rule must be *procedural—i.e.*, it must govern the conduct of proceedings in the Office." *Cooper*

Techs. Co. v. *Dudas*, 536 F.3d 1330, 1335 (Fed. Cir. 2008) (internal quotation marks omitted; emphasis added); see *Merck & Co., Inc.* v. *Kessler*, 80 F.3d 1543, 1549-1550 (Fed. Cir. 1996) (holding that the PTO "does NOT * * * [have] the authority to issue substantive rules").

In the lead-up to the AIA, both Houses of Congress considered various patent reform bills, including one that would have given the PTO substantive rulemaking authority. See Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 11 (Apr. 18, 2007); Patent Reform Act of 2007, S. 1145, 110th Cong. § 11 (Apr. 18, 2007). That provision was stripped from the bill that passed the House, and no version of the bill passed the Senate. Later reform proposals would have granted the PTO authority to set patent fees and to issue procedural rules for any new types of proceedings such as post-grant review, see Patent Reform Act of 2009, S. 515, 111th Cong. §§ 5, 9 (Apr. 2, 2009), although the current Administration pressed for substantive rulemaking authority as well, see Letter from U.S. Dep't of Commerce Secretary Locke to S. Comm. on Judiciary (Oct. 5, 2009). Ultimately, the AIA adopted the same compromise: authority over fee-setting and procedural rules, but not substantive rules.

b. In the AIA, Congress repeated the Patent Act's language to describe the PTO's limited rulemaking authority. Section 316(a) is entitled "*[c]onduct* of inter partes review" (emphasis added). See *Almendarez-Torres* v. *United States*, 523 U.S. 224, 234 (1998) ("[T]he heading of a section" is a "tool[] available for the resolution of a doubt about the meaning of a statute.") (internal quotation marks omitted). Congress thus used a term that naturally refers to proce-

dure rather than substance. See Webster's New Collegiate Dictionary 235 (1977) (defining "conduct" as "the act, manner, or process of carrying on: management"). Moreover, Congress used the same term in the AIA that, in the context of the Patent Act, has long been understood to bestow only procedural rulemaking authority. See *Bruesewitz* v. *Wyeth*, 562 U.S. 223, 243 (2011) (When "judicial decisions have given a term or concept a consistent judicial gloss, we presume Congress intended the term or concept to have that meaning when it incorporated it into a later-enacted statute.").

Consistent with its heading, Section 316(a) requires the PTO to prescribe regulations governing the conduct of IPR, including public filing and sealing, joinder, discovery and protective orders, briefing procedures, oral argument, timely disposition by the Board, and sanctions for abusive conduct. 35 U.S.C. 316(a)(1), (3), (5)-(8), (10)-(12). Those grants of authority are plainly procedural in nature, and the PTO did not rely on any of them in enacting the regulation at issue. Rather, the PTO relied on Paragraphs 2 and 4, see 77 Fed. Reg. 48,680, 48,697 (Aug. 14, 2012), but neither of those provisions does what its brethren do not. Both provisions grant only a form of procedural authority to the PTO. See *Ysursa* v. *Pocatello Educ. Ass'n*, 555 U.S. 353, 371 (2009) ("That the restriction was more narrowly intended to target union fundraising is first evidenced by its statutory context. The other provisions * * * pertain exclusively to unions.").

i. The panel majority found that the PTO's regulation is authorized by Paragraph 4, which requires the PTO to prescribe rules "establishing and governing inter partes review." 35 U.S.C. 316(a)(4). Again,

that language is very similar to the analogous provision in the Patent Act granting only procedural rulemaking authority. The power to issue rules "governing" IPR is not importantly different from the power to issue rules "govern[ing] the conduct of [patent] proceedings," 35 U.S.C. 2(b)(2)(A), especially because Section 316 as a whole concerns "[c]onduct of inter partes review." Paragraph 4 may be a catch-all for rules not specifically covered by other paragraphs, but it is a *procedural* catch-all. Congress would not have granted substantive rulemaking authority in such a roundabout way. See H.R. Rep. No. 112-98, at 48 ("[T]he Committee intends for the USPTO to address potential abuses and current inefficiencies under its expanded *procedural* authority.") (emphasis added).

ii. Paragraph 2 requires the PTO to issue rules "setting forth the standards for the showing of sufficient grounds to institute" an IPR "under [S]ection 314(a)." 35 U.S.C. 316(a)(2). Section 314(a) already establishes the substantive standard for instituting IPR: the Board "may not authorize an inter partes review to be instituted unless [it] determines * * * that there is a *reasonable likelihood* that the petitioner would prevail." 35 U.S.C. 314(a) (emphasis added). In allowing the PTO to "set[] forth the standards for the showing," Paragraph 2 authorizes procedural rules for how a petitioner may "show[]" a reasonable likelihood of prevailing—such as filing affidavits, briefs, copies of cited prior art, and so forth. Regardless, whatever the function of Paragraph 2, its plain language does not extend to the standard for claim construction.

c. The PTO's lack of statutory authority did not go unnoticed during the comment period on Section

42.100(b). The agency's (non)response to those comments is telling. The PTO parroted the statute by observing that it has the authority to "prescribe regulations setting forth the standards for the showing of sufficient grounds to institute, establish and govern an inter partes review." 77 Fed. Reg. at 48,697 The PTO then concluded—in a remarkable *ipse dixit*—that, "at a minimum, [it] has the authority to prescribe the claim construction standard by which inter partes review * * * [is] instituted." *Ibid.* The PTO gave no explanation, as the panel majority did not, for why Congress would have granted substantive rulemaking authority under the AIA while continuing to deny it under the Patent Act.

To be sure, the agency gave a number of reasons why, in its view, the BRI protocol ought to govern in IPR proceedings, see *id.* at 48,697-48,698, but that is a separate question from whether Congress granted the authority to adopt that protocol. The PTO also asserted that Congress "expected" the PTO to apply the BRI standard, citing a single statement by Senator Kyl referring to the standard. *Id.* at 48,698. But Senator Kyl went on to say that Section 316(a)(4) "gives the [PTO] discretion in prescribing regulations governing the new proceedings," because the PTO "has made clear that it will use this discretion to convert inter partes [review] into an *adjudicative proceeding*." 157 Cong. Rec. S1375 (Mar. 8, 2011) (emphasis added). A single ambiguous sentence by a single Senator is not a basis for ignoring the statutory language and historical limits on the PTO's rulemaking authority.

d. For its part, the panel majority reasoned that the PTO had the authority to promulgate Section 42.100(b) because "[t]he broadest reasonable inter-

pretation standard affects both the PTO's determination of whether to institute IPR proceedings and the proceedings after institution." Pet. App. 18a-19a. That rationale lacks any logical limit. The substantive doctrines of obviousness and anticipation also "affect[]" IPR proceedings, and yet even the panel majority acknowledged that it would be a "radical change" from history to allow the PTO to alter "substantive statutory 'patentability' standards." *Id.* at 20a. There is no reason to allow the PTO to issue some substantive rules but not others—and there is certainly no reason to distinguish between different types of substantive rules based on the text of Section 316(a)(2) and (4).

2. The regulation is substantive.

a. At the time that Congress enacted the AIA, the Federal Circuit and numerous district courts had indicated that the question of how to construe patent claims is one of substance, not procedure. See, *e.g.*, *Harris Corp.* v. *Ericsson Inc.*, 417 F.3d 1241, 1253 (Fed. Cir. 2005) (referring "to the substantive claim construction issue"); *Baran* v. *Medical Device Techs., Inc.*, 519 F Supp. 2d 698, 701 (N.D. Ohio 2007) (O'Malley, J.) (referring to "claim construction" as a "substantive aspect" of a case); *Beery* v. *Thomson Consumer Electronics, Inc.*, 218 F.R.D. 599, 605 (S.D. Ohio 2003) (referring to "claim construction" as a "substantive issue[]"); cf. *In re MSTG, Inc.*, 675 F.3d 1337, 1348 (Fed. Cir. 2012) (referring to "claim construction" as a "substantive litigation ruling[]"). So far as Cuozzo is aware, no court had treated the standard for claim construction as a procedural issue. Congress is presumed to have legislated against that backdrop of uniform existing law when it denied the

PTO the authority to promulgate substantive rules. See *Cannon* v. *Univ. of Chicago*, 441 U.S. 677, 698-699 (1979).

b. But even if courts had not spoken to the precise issue, it is clear that how to construe patent claims is a matter of substance under well-established Federal Circuit precedent. The Federal Circuit has explained "[a] rule is substantive when it effects a change in existing law or policy which affects individual rights and obligations." *Cooper*, 536 F.3d at 1336 (internal quotation marks and brackets omitted). By contrast, rules that do not affect the validity or scope of the patent are procedural. See *Lacavera* v. *Dudas*, 441 F.3d 1380, 1383 (Fed. Cir. 2006) (rule governing attorney appearances before the PTO was procedural); *Stevens*, 366 F.3d at 1333 (rule requiring party to submit translation of foreign patent applications was procedural). Under that test, the standard for claim construction is plainly substantive rather than procedural. Like setting the length of a patent term, the standard used in construing claims measures the reach of the patent owner's right. See *Merck & Co., Inc.*, 80 F.3d at 1550 (rule governing the length of a patent term is substantive).

The PTO has taken the position that using the BRI standard in IPR "does not change any substantive rights relative to the current practice," because the PTO has applied the BRI standard in initial examinations and reexaminations. 77 Fed. Reg. at 48,697. But that begs the question of which "current practice" matters. Examinational proceedings have never adjudicated the validity of issued patent claims. Litigation before district courts and the ITC does that, and the "current practice" in those fora is to construe claims according to their actual and ordinary mean-

ing. Given the number of cases in which the Board and district courts have reached different answers in construing the same patent claims, see *supra*, pp. 33-34, it blinks reality to say that Section 42.100(b) "does not change any substantive rights." Appearing before the Board rather than a district court or the ITC can make all the difference for whether a patent is determined to be valid.

B. Section 42.100(b) is plainly unreasonable.

Even if the PTO has the authority to promulgate substantive rules, Section 42.100(b) is not entitled to deference because it is not a reasonable interpretation of the AIA. See *Utility Air Regulatory Grp.* v. *EPA*, 134 S. Ct. 2427, 2442 (2014). Indeed, the PTO's regulation is manifestly unreasonable. The use of BRI not only defeats Congress's aim of substituting administrative adjudication for district court adjudication, but it allows the meaning of a patent claim to change depending on the inquiry (validity or infringement) or the forum (agency, district court, or the ITC). The anomaly is all the greater because patents challenged in IPR are likely to be the subject of district court litigation. See Saurabh Vishnubhakat, *et al.*, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, at 31-32 (Feb. 10, 2016) (forthcoming in Berkeley Tech. L.J.). Neither the PTO nor the panel majority has given any persuasive explanation "why Congress (or anyone else) would have thought it desirable or necessary for the Board to construe the claims during IPRs under a different legal framework than the one used by district courts." Pet. App. 54a-55a (joint dissent).

1. It is a fundamental principle of patent law that claims define the scope of the invention and "must be

interpreted and given the same meaning for purposes of both validity and infringement analyses." *SmithKline Diagnostics, Inc.* v. *Helena Labs. Corp.*, 859 F.2d 878, 882 (Fed. Cir. 1988). Whether a challenger asserts invalidity or a patentee asserts infringement, the task is to properly interpret the claims. "A patent may not, like a 'nose of wax,' be twisted one way to avoid anticipation and another to find infringement." *Sterner Lighting, Inc.* v. *Allied Elec. Supply, Inc.*, 431 F.2d 539, 544 (5th Cir. 1970) (quoting *White*, 119 U.S. at 51).

Adopting the BRI standard in IPR violates that fundamental principle. It forces patentees to defend claims broader in scope than what they obtained from the PTO in prosecution and could assert in an infringement action. That is obviously unfair to patentees: it is like reading a deed differently in an ejectment suit than a trespass action. See IPO Cert. Amicus Br. 7 (A patent claim, "like any other piece of property, cannot logically have more than one 'proper' boundary."). It also misunderstands the basic exchange at the heart of patent law: disclosure of one's invention to the public, in return for a limited monopoly as defined by the claims of the patent. "To invalidate those claims using a different standard than one that considers the true meaning and scope of a claim would violate the bargain the patentee struck with the public." Pet. App. 56a (joint dissent).

2. The dual standard for validity and infringement also defeats the public-notice function of claims. One reason that patentees must "particularly point[] out and distinctly claim[]" the invention, 35 U.S.C. 112(b), is to inform the public of what constitutes infringement. "The object of the patent law in requiring the patentee to [distinctly claim his invention] is not only

to secure to him all to which he is entitled, but to apprise the public of what is still open to them." *McClain* v. *Ortmayer*, 141 U.S. 419, 424 (1891). The public cannot possibly guess what hypothetical, broadest reasonable reading the Board will give to patent claims in IPR proceedings. The public interest is in knowing "the *actual* scope of the claims, correctly construed—not their broadest reasonable interpretation." Pet. App. 42a (Newman, J., dissenting) (emphasis added).

Indeed, using the necessarily vague BRI standard in IPR reintroduces all of the imprecision and uncertainty—for both the public and the patentee—that the standard's use was supposed to have eliminated during the initial examination and any reexamination. Although determining the plain meaning of a claim is guided and informed by the patent specification and prosecution history, the PTO's constructing a broadest reasonable interpretation often uses stray sources that are not properly used to determine plain meaning. Once claims have issued, using a vague construction different from what the inventor was granted defies all logic.

3. The PTO has attempted to justify using a different standard from courts because it "has the discretion to consolidate [an IPR] with a pending reissue application or reexamination that involves the same patent," and "[i]t would be anomalous for the Board to have to apply two different standards in the merged proceeding." 77 Fed. Reg. at 48,697-48,698. The panel majority endorsed that rationale without further elaboration. See Pet. App. 20a.

The Government has not pointed to a single instance in which the Board has consolidated an IPR with a reexamination or reissue proceeding. The rea-

son is that, as the Board itself has explained, IPR and reexamination are fundamentally different. "The two types of proceedings arise under different statutes and are governed by different rules." *Ford Motor Co.* v. *Signal IP, Inc.*, IPR2015-00860, Paper 14, at 3 (P.T.A.B. Nov. 17, 2015). Whereas reexamination is "grounded in additional examination of an issued patent and is conducted according to the procedures established for initial examination," an IPR is "*adjudicatory in nature*." *Ibid.* (internal quotation marks omitted; emphasis added). "Thus, although the Board has the authority to consolidate a reexamination proceeding and an inter partes review, there is an inherent tension in attempting to unify proceedings that, by all accounts, are intended to be distinct in type from one another." *Ibid.*

Even assuming the Board were to consolidate a reexamination and an IPR, it would do so "into a single inter partes review proceeding." 77 Fed. Reg. at 48,697. If the proceedings are truly "merged," then the single, consolidated proceeding should apply the proper plain-meaning claim construction standard in IPR, and the fact of consolidation does not weigh in favor of the BRI protocol over the ordinary-meaning standard. If the proceedings are not truly merged, then it is hardly "anomalous" for the Board to apply different claim-construction standards. *Id.* at 48,697-48,698. Courts apply different substantive standards all the time; there is no reason why the Board cannot do the same. The PTO already applies the BRI protocol for reexamination generally, but the plain-meaning standard when the patent has expired.

III. IF THE BOARD EXCEEDS ITS STATUTORY AUTHORITY IN INSTITUTING AN IPR PROCEEDING, THE BOARD'S UNLAWFUL ACTION IS REVIEWABLE.

The AIA does not allow interlocutory review of institution determinations, but it does permit review as part of the plenary appeal from the Board's final decision, particularly in light of the strong presumption favoring judicial review. Even assuming that Congress intended to bar any review of the Board's institution determinations, the panel majority ignored that courts have drawn a narrow exception for review of agency action that, as here, violates clear statutory limits.

A. The AIA places significant limits on the Board's power to institute IPR proceedings.

Once the Board institutes IPR, it invalidates more than four out of every five patent claims that reach a final decision. See PTO Statistics at 12 (showing 7,778 claims found unpatentable and 1,523 claims found patentable after a final decision). In a real sense, the Board's decision whether to institute IPR is the most critical stage of the proceeding. Congress imposed limits on the Board's authority to institute IPR in an effort to resolve patent validity disputes in a timely, cost-effective manner.

1. IPR is an adversarial proceeding that the Board may institute only on the basis of the parties' submissions. The AIA requires an IPR petition to identify with particularity "the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim." 35 U.S.C. 312(a)(3); see 37 C.F.R. 42.104(b). The patentee has "the right to file a preliminary response to

the petition * * * that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter." 35 U.S.C. 313. The Board then may institute IPR only upon "determin[ing] that the information presented in the petition * * * and any response * * * shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." 35 U.S.C. 314(a).

The statutory text could hardly be clearer. The Board must determine whether the information in the petition—*i.e.*, "the grounds on which the challenge to each claim is based, and the evidence that supports [those] grounds"—warrants instituting IPR with respect to each claim. 35 U.S.C. 312(a)(3). The Board is not authorized to institute IPR or invalidate patents on the basis of prior art it collects or arguments it devises. When the Board does so, it deprives the patentee—which already has filed its response addressing the petition—of the opportunity to explain why the Board's asserted evidence or argument does not warrant IPR and increases the risk of an erroneous decision. See Pet. App. 31a (Newman, J., dissenting). It also contributes to the Board's inability to comply with its statutory duty to take into account the patentee's response to the petition. The patentee cannot respond to grounds the petitioner never specifically asserted.

2. The Government correctly does not argue (Br. in Opp. 17-22) that the Board respected the unambiguous statutory limits on its authority in this case. The Board took combinations of prior art cited by Garmin only with respect to claim 17 of Cuozzo's patent and applied them as well to claims 10 and 14 to institute

IPR. See Pet. App. 188a, 192a-193a; see also *id.* at 31a (Newman, J., dissenting). That is exactly what the Board says it is *not* supposed to do under the AIA. See *Epicor Software Corp.* v. *Protegrity Corp.*, CBM2015-00006, Paper 16, at 37 (Apr. 21, 2015) ("[O]ffering a plurality of prior art references for consideration, with the particular and necessary combination to be selected or chosen by the Board is improper.").

B. The Board cannot violate those limits with impunity and without judicial oversight.

The Government's only argument is that, even though the Board exceeded its statutory authority in instituting IPR on claims 10 and 14, the Board's unlawful action is unreviewable. The Government relies, as the panel majority did, on 35 U.S.C. 314(d), which provides that the Board's determination "whether to institute an inter partes review under this section shall be final and nonappealable." The Government's interpretation of Section 314(d) is inconsistent with the statute's plain language, history, and the presumption in favor of judicial review of unlawful agency action.

1. Section 314(d) only bars appeal of the Board's institution decision by itself.

a. Section 314(d) provides that "[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." By its terms, the statute deals with appealability, not reviewability.[11] It bars only an ap-

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[11] Daniel J. Meador, Thomas E. Baker & Joan E. Steinman, *Appellate Courts: Structures, Functions, Processes, and Personnel* 48 (2d ed. 2006) ("'[R]eviewability' * * * refers to whether a trial

peal of the Board's institution decision itself. If the Board decides not to institute IPR, the petitioner may not appeal and the agency process is at an end. If the Board decides to institute IPR, Section 314(d) prevents the patentee from appealing that decision. See 28 U.S.C. 1295(a)(4) (granting exclusive jurisdiction to the Federal Circuit over "an appeal from a decision of" the Board "with respect to * * * inter partes review"). The AIA's bar on interlocutory appeals of the PTO's institution decisions makes complete sense because the Board is normally required to complete IPR proceedings within one year. See 35 U.S.C. 316(a)(11); 37 C.F.R. 42.100(c).

The AIA separately provides for appeal of the Board's final written decision. See 35 U.S.C. 141(c), 319. In such an appeal, nothing bars a party from arguing that the Board's final decision must be set aside because the proceeding was instituted in violation of the statutory restrictions. When Congress provided for appeal of the Board's final decision, it did so for "[any] party to an inter partes review * * * who is dissatisfied" with that decision, 35 U.S.C. 141(c), without placing any limits on the grounds for a party's dissatisfaction. In district court patent litigation, a party normally must wait to appeal until the entry of a final judgment, but it may raise claims of error from any earlier stage of the litigation. See *Digital Equip. Corp.* v. *Desktop Direct, Inc.*, 511 U.S. 863, 868 (1994). There is no reason for a different rule when a party

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judge's action can be scrutinized by an appellate court at any time. * * * [A]ppealability assumes that the trial judge's action is reviewable[;] the question is whether it can be reviewed immediately or whether review must await final resolution of the entire case in the trial court.").

appeals to the Federal Circuit from a final decision in an IPR proceeding.

The Government previously agreed with this interpretation. In *Versata Dev. Grp., Inc.* v. *Rea*, No. 1:13-cv-328 (E.D. Va.), the Government argued that the "plain language" of Section 314(d) provides that "judicial review is only unavailable from the decision to 'institute.'" Docket entry No. 18, at 16 (May 16, 2013) (Memorandum of Law in Support of Defendant's Motion to Dismiss). The AIA "retains the right of judicial review—in the Federal Circuit—for any party 'dissatisfied' by the [Board's] ultimate 'written determination,'" and a party may be "dissatisfied" for myriad reasons, including that the Board lacked authority to issue a final decision in the first place. *Ibid.* The Government switched positions on appeal, but as the Federal Circuit held, "the Government was right the first time." *Versata Dev. Grp., Inc.* v. *SAP Am., Inc.*, 793 F.3d 1306, 1318 (2015).

b. In addition, Congress was not writing on a blank slate in Section 314(d). Since its enactment in 1980, the reexamination statute has provided that the PTO's determination "that no substantial new question of patentability has been raised will be *final and nonappealable*." 35 U.S.C. 303(c) (emphasis added). Under Section 303(c), if the PTO decides not to institute a reexamination, that decision may not be appealed. If, however, the PTO does institute a reexamination, the Federal Circuit has held that the patentee may not appeal at the time, but at the conclusion of the reexamination the patentee may challenge the PTO's earlier determination that there was a "substantial new question of patentability." *In re Portola Packaging, Inc.*, 110 F.3d 786, 787 (Fed. Cir. 1997), superseded by statute on other grounds as recognized

by *In re NTP, Inc.*, 654 F.3d 1268, 1277 (Fed. Cir. 2011) ("Because the board exceeded its statutory authority by basing its decision solely on prior art previously considered by the PTO, we reverse."); *In re Recreative Techs. Corp.*, 83 F.3d 1394, 1395 (Fed. Cir. 1996) (same). Congress was presumably aware of that body of law when it incorporated the same statutory language into Section 314(d).[12]

c. The Government has argued that Section 314(d) is unnecessary to prevent appeal of the PTO's institution decision, because "background principles of administrative law" only permit review of final agency action. Br. in Opp. 18. First, the Government ignores the circumstance in which the Board decides *not* to institute IPR. That agency action would be final and likely subject to judicial review absent Section 314(d). The Board could argue that its institution decision has been committed to its discretion by law, see 5 U.S.C. 701(a)(2); *Heckler* v. *Chaney*, 470 U.S. 821, 838 (1985), but the AIA expressly provides the standard—whether the petitioner has shown "a reasonable likelihood" of invalidity, 35 U.S.C. 314(a)—for judging the Board's exercise of discretion.

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[12] The Federal Circuit recognizes an exception to appealability if the PTO's institution error is "washed clean during the reexamination"—for instance, the PTO improperly relied on old prior art in instituting but the examiner then relied only on new prior art. *In re Hiniker Co.*, 150 F.3d 1362, 1367 (Fed. Cir. 1998). But that exception is of no help to the Government here, because the Board's error in this case was not and could not have been "washed clean." The Board relied on prior art that Garmin did not identify in its petition as grounds for IPR with respect to claims 10 and 14, and the Board proceeded to invalidate those claims on the basis of the same prior art.

Second, when the Board institutes IPR, Section 314(d) prevents interlocutory review, including via mandamus petitions. See *St. Jude Med., Cardiology Div., Inc.* v. *Volcano Corp.*, 749 F.3d 1373, 1375-1376 (Fed. Cir. 2014); see also *In re Procter & Gamble Co.*, 749 F.3d 1376, 1379 (Fed. Cir. 2014) (denying a mandamus petition seeking interlocutory review of the Board's decision to institute IPR). To avoid the harsh consequences of allowing the Board to institute with impunity, the panel majority left open the possibility that the patentee might be able to seek mandamus relief *after* the Board issues its final decision. See Pet. App. 10a-11a. That does not make any sense. If Section 314(d) allows review of an institution decision at the conclusion of IPR, there is no reason to divorce that review from the direct appeal.

d. The Government argues that barring all review of the Board's institution decisions "furthers the purposes of the AIA" by "avoiding the waste and expense" of "relitigating threshold questions" that "do not bear on the proper scope of the patentee's exclusive rights." Br. in Opp. 20-21. But the "threshold question[]" is whether the Board has the statutory authority to adjudicate "the proper scope of the patentee's exclusive rights" in the first place. Far from undermining the AIA's purposes, permitting review is the only way to ensure that the Board's scrutiny of an issued patent actually complies with the AIA's requirements. It is the Government's position that undercuts the AIA by giving the Board a "blank check" to "rewrite its statutory authority." NYIPLA Cert. Amicus Br. 9.

e. At the least, Section 314(d) can be interpreted to bar only interlocutory review of the Board's institution decisions. The Government itself said so in *Ver-*

sata. Because Section 314(d) can be read that way, it should be read that way in light of the "strong presumption" favoring judicial review of administrative action. *Bowen* v. *Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1987); see *Mach Mining, LLC* v. *EEOC*, 135 S. Ct. 1645, 1651 (2015) ("[T]he agency bears a 'heavy burden' in attempting to show that Congress 'prohibit[ed] all judicial review' of the agency's compliance with a legislative mandate.") (quoting *Dunlop* v. *Bachowski*, 421 U.S. 560, 567 (1975)). The Government simply has not offered "clear and convincing evidence" that Congress intended the Board's institution decisions to be free from any judicial oversight. *Bowen*, 476 U.S. at 671 (internal quotation marks omitted).

2. The Board's institution decision is reviewable when it plainly violates the AIA.

Even if Congress intended Section 314(d) to bar any review of the Board's institution decisions, this Court and others have recognized "an 'implicit and narrow' exception" to such statutory bars "for agency action that plainly violates an unambiguous statutory mandate." *Versata*, 793 F.3d at 1342 (Hughes, J., concurring in part and dissenting in part) (quoting *Hanauer* v. *Reich*, 82 F.3d 1304, 1307 (4th Cir. 1996), and collecting several cases, including *Leedom* v. *Kyne*, 358 U.S. 184 (1958)); *Kyne*, 358 U.S. at 188 (finding district court jurisdiction over obviously unlawful agency action although statute did not provide for such jurisdiction). Courts applying the so-called *Kyne* exception have stressed its narrowness: it applies only when the agency violates a clear statutory mandate or prohibition. See, *e.g.*, *Key Medical Sup-*

ply, Inc. v. *Burwell*, 764 F.3d 955, 962-963 (8th Cir. 2014).

Here, Section 314(d) would continue to bar appeals contending that the Board, in weighing "the information presented in the petition * * * and any response," erred in finding "a reasonable likelihood that the petitioner would prevail with respect to at least [one] of the claims challenged in the petition." 35 U.S.C. 314(a). But Section 314(d) may not bar appeals that the Board ignored limits on its own statutory authority, including the requirement that the Board base its institution decision on the parties' submissions rather than its own research or theories. "An agency may not finally decide the limits of its own statutory power," *Soc. Sec. Bd.* v. *Nierotko*, 327 U.S. 358, 369 (1946), and accordingly the Board cannot have free license to ignore the AIA's limits on its institution authority.

IV. THE JUDGMENT BELOW SHOULD BE REVERSED AND THE CASE REMANDED FOR FURTHER PROCEEDINGS.

If this Court concludes that the Board applied the incorrect claim-construction standard, it should reverse the judgment below and remand the case to the Board for application of the correct standard. The Court also should address the reviewability of the Board's institution decision, so that Cuozzo will be able to challenge the Board's unlawful action in future proceedings on remand. If the Court concludes that the Board applied the correct claim-construction standard but that Section 314(d) does not bar review of the Board's institution decisions, the Court should reverse and remand for the Federal Circuit to deter-

mine whether the Board exceeded its statutory authority and the case should be dismissed.

CONCLUSION

For the reasons set forth above, the judgment should be reversed and remanded.

Respectfully submitted.

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APPENDIX

1. 28 U.S.C. 1295(a) provides in pertinent part:

§ 1295. Jurisdiction of the United States Court of Appeals for the Federal Circuit

(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—

(1) of an appeal from a final decision of a district court of the United States, the District Court of Guam, the District Court of the Virgin Islands, or the District Court of the Northern Mariana Islands, in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents or plant variety protection;

(2) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section 1346 of this title, except that jurisdiction of an appeal in a case brought in a district court under section 1346(a)(1), 1346(b), 1346(e), or 1346(f) of this title or under section 1346(a)(2) when the claim is founded upon an Act of Congress or a regulation of an executive department providing for internal revenue shall be governed by sections 1291, 1292, and 1294 of this title;

(3) of an appeal from a final decision of the United States Court of Federal Claims;

(4) of an appeal from a decision of—

(A) the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to a patent application, derivation proceeding, reexamination, post-grant review, or inter partes review under title 35, at the instance of a party who exercised that party's right to participate in the applicable proceeding before or appeal to the Board, except that an applicant or a party to a derivation proceeding may also have remedy by civil action pursuant to section 145 or 146 of title 35; an appeal under this subparagraph of a decision of the Board with respect to an application or derivation proceeding shall waive the right of such applicant or party to proceed under section 145 or 146 of title 35;

(B) the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office or the Trademark Trial and Appeal Board with respect to applications for registration of marks and other proceedings as provided in section 21 of the Trademark Act of 1946 (15 U.S.C. 1071); or

(C) a district court to which a case was directed pursuant to section 145, 146, or 154(b) of title 35;

(5) of an appeal from a final decision of the United States Court of International Trade;

(6) to review the final determinations of the United States International Trade Commission relating to unfair practices in import trade, made under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337);

(7) to review, by appeal on questions of law only, findings of the Secretary of Commerce under U.S. note 6 to subchapter X of chapter 98 of the Harmonized Tariff Schedule of the United States (relating to importation of instruments or apparatus);

(8) of an appeal under section 71 of the Plant Variety Protection Act (7 U.S.C. 2461);

(9) of an appeal from a final order or final decision of the Merit Systems Protection Board, pursuant to sections 7703(b)(1) and 7703(d) of title 5;

(10) of an appeal from a final decision of an agency board of contract appeals pursuant to section 7107(a)(1) of title 41;

(11) of an appeal under section 211 of the Economic Stabilization Act of 1970;

(12) of an appeal under section 5 of the Emergency Petroleum Allocation Act of 1973;

(13) of an appeal under section 506(c) of the Natural Gas Policy Act of 1978; and

(14) of an appeal under section 523 of the Energy Policy and Conservation Act.

* * * * *

2. 35 U.S.C. 2(a)-(b) provides in pertinent part:

§ 2. Powers and duties

(a) IN GENERAL.—The United States Patent and Trademark Office, subject to the policy direction of the Secretary of Commerce—

(1) shall be responsible for the granting and issuing of patents and the registration of trademarks; and

(2) shall be responsible for disseminating to the public information with respect to patents and trademarks.

(b) SPECIFIC POWERS.—The Office—

(1) shall adopt and use a seal of the Office, which shall be judicially noticed and with which letters patent, certificates of trademark registrations, and papers issued by the Office shall be authenticated;

(2) may establish regulations, not inconsistent with law, which—

(A) shall govern the conduct of proceedings in the Office;

(B) shall be made in accordance with section 553 of title 5;

(C) shall facilitate and expedite the processing of patent applications, particularly those which can be filed, stored, processed, searched, and retrieved electronically, subject to the provisions of section 122 relating to the confidential status of applications;

(D) may govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office, and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office;

(E) shall recognize the public interest in continuing to safeguard broad access to the United States patent system through the reduced fee structure for small entities under section 41(h)(1);

(F) provide for the development of a performance-based process that includes quantitative and qualitative measures and standards for evaluating cost-effectiveness

and is consistent with the principles of impartiality and competitiveness; and

(G) may, subject to any conditions prescribed by the Director and at the request of the patent applicant, provide for prioritization of examination of applications for products, processes, or technologies that are important to the national economy or national competitiveness without recovering the aggregate extra cost of providing such prioritization, notwithstanding section 41 or any other provision of law;

* * * * *

3. 35 U.S.C. 6 provides:

§ 6. Patent Trial and Appeal Board

(a) IN GENERAL.—There shall be in the Office a Patent Trial and Appeal Board. The Director, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Patent Trial and Appeal Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Secretary, in consultation with the Director. Any reference in any Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to the Board of Patent Appeals and Interferences is deemed to refer to the Patent Trial and Appeal Board.

(b) DUTIES.—The Patent Trial and Appeal Board shall—

(1) on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a);

(2) review appeals of reexaminations pursuant to section 134(b);

(3) conduct derivation proceedings pursuant to section 135; and

(4) conduct inter partes reviews and post-grant reviews pursuant to chapters 31 and 32.

(c) 3-MEMBER PANELS.—Each appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director. Only the Patent Trial and Appeal Board may grant rehearings.

(d) TREATMENT OF PRIOR APPOINTMENTS.—The Secretary of Commerce may, in the Secretary's discretion, deem the appointment of an administrative patent judge who, before the date of the enactment of this subsection, held office pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge. It shall be a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge's having been originally appointed by the Director that the administrative patent judge so appointed was acting as a de facto officer.

4. 35 U.S.C. 112(a)-(b) provides in pertinent part:

§ 112. Specification

(a) IN GENERAL.—The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor or joint inventor of carrying out the invention.

(b) CONCLUSION.—The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or a joint inventor regards as the invention.

* * * * *

5. 35 U.S.C. 132 provides:

§ 132. Notice of rejection; reexamination

(a) Whenever, on examination, any claim for a patent is rejected, or any objection or requirement made, the Director shall notify the applicant thereof, stating the reasons for such rejection, or objection or requirement, together with such information and references as may be useful in judging of the propriety of continuing the prosecution of his application; and if after receiving such notice, the applicant persists in his claim for a patent, with or without amendment, the application shall be reexamined. No

amendment shall introduce new matter into the disclosure of the invention.

(b) The Director shall prescribe regulations to provide for the continued examination of applications for patent at the request of the applicant. The Director may establish appropriate fees for such continued examination and shall provide a 50 percent reduction in such fees for small entities that qualify for reduced fees under section 41(h)(1).

6. 35 U.S.C. 134 provides:

§ 134. Appeal to the Patent Trial and Appeal Board

(a) PATENT APPLICANT.—An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the Patent Trial and Appeal Board, having once paid the fee for such appeal.

(b) PATENT OWNER.—A patent owner in a reexamination may appeal from the final rejection of any claim by the primary examiner to the Patent Trial and Appeal Board, having once paid the fee for such appeal.

7. 35 U.S.C. 141 provides:

§ 141. Appeal to Court of Appeals for the Federal Circuit

(a) EXAMINATIONS.—An applicant who is dissatisfied with the final decision in an appeal to the Patent Trial and Appeal Board under section 134(a)

may appeal the Board's decision to the United States Court of Appeals for the Federal Circuit. By filing such an appeal, the applicant waives his or her right to proceed under section 145.

(b) REEXAMINATIONS.—A patent owner who is dissatisfied with the final decision in an appeal of a reexamination to the Patent Trial and Appeal Board under section 134(b) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

(c) POST-GRANT AND INTER PARTES REVIEWS.—A party to an inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) or 328(a) (as the case may be) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

(d) DERIVATION PROCEEDINGS.—A party to a derivation proceeding who is dissatisfied with the final decision of the Patent Trial and Appeal Board in the proceeding may appeal the decision to the United States Court of Appeals for the Federal Circuit, but such appeal shall be dismissed if any adverse party to such derivation proceeding, within 20 days after the appellant has filed notice of appeal in accordance with section 142, files notice with the Director that the party elects to have all further proceedings conducted as provided in section 146. If the appellant does not, within 30 days after the filing of such notice by the adverse party, file a civil action under section 146, the Board's decision shall govern the further proceedings in the case.

8. 35 U.S.C. 251 provides:

§ 251. Reissue of defective patents

(a) IN GENERAL.—Whenever any patent is, through error, deemed wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent, the Director shall, on the surrender of such patent and the payment of the fee required by law, reissue the patent for the invention disclosed in the original patent, and in accordance with a new and amended application, for the unexpired part of the term of the original patent. No new matter shall be introduced into the application for reissue.

(b) MULTIPLE REISSUED PATENTS.—The Director may issue several reissued patents for distinct and separate parts of the thing patented, upon demand of the applicant, and upon payment of the required fee for a reissue for each of such reissued patents.

(c) APPLICABILITY OF THIS TITLE.—The provisions of this title relating to applications for patent shall be applicable to applications for reissue of a patent, except that application for reissue may be made and sworn to by the assignee of the entire interest if the application does not seek to enlarge the scope of the claims of the original patent or the application for the original patent was filed by the assignee of the entire interest.

(d) REISSUE PATENT ENLARGING SCOPE OF CLAIMS.—No reissued patent shall be granted en-

larging the scope of the claims of the original patent unless applied for within two years from the grant of the original patent.

9. 35 U.S.C. 301 provides:

§ 301. Citation of prior art and written statements

(a) IN GENERAL.—Any person at any time may cite to the Office in writing—

(1) prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent; or

(2) statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent.

(b) OFFICIAL FILE.—If the person citing prior art or written statements pursuant to subsection (a) explains in writing the pertinence and manner of applying the prior art or written statements to at least 1 claim of the patent, the citation of the prior art or written statements and the explanation thereof shall become a part of the official file of the patent.

(c) ADDITIONAL INFORMATION.—A party that submits a written statement pursuant to subsection (a)(2) shall include any other documents, pleadings, or evidence from the proceeding in which the statement was filed that addresses the written statement.

(d) LIMITATIONS.—A written statement submitted pursuant to subsection (a)(2), and additional information submitted pursuant to subsection (c), shall not be considered by the Office for any purpose other than to determine the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to section 304, 314, or 324. If any such written statement or additional information is subject to an applicable protective order, such statement or information shall be redacted to exclude information that is subject to that order.

(e) CONFIDENTIALITY.—Upon the written request of the person citing prior art or written statements pursuant to subsection (a), that person's identity shall be excluded from the patent file and kept confidential.

10. 35 U.S.C. 302 provides:

§ 302. Request for reexamination

Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Director pursuant to the provisions of section 41. The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested. Unless the requesting person is the owner of the patent, the Director promptly will send a copy of the request to the owner of record of the patent.

11. 35 U.S.C. 303 provides:

§ 303. Determination of issue by Director

(a) Within three months following the filing of a request for reexamination under the provisions of section 302, the Director will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 or 302. The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.

(b) A record of the Director's determination under subsection (a) of this section will be placed in the official file of the patent, and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.

(c) A determination by the Director pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Director may refund a portion of the reexamination fee required under section 302.

12. 35 U.S.C. 304 provides:

§ 304. Reexamination order by Director

If, in a determination made under the provisions of subsection 303(a), the Director finds that a substantial new question of patentability affecting any claim of a patent is raised, the determination will include an order for reexamination of the patent for resolution of the question. The patent owner will be given a reasonable period, not less than two months from the date a copy of the determination is given or mailed to him, within which he may file a statement on such question, including any amendment to his patent and new claim or claims he may wish to propose, for consideration in the reexamination. If the patent owner files such a statement, he promptly will serve a copy of it on the person who has requested reexamination under the provisions of section 302. Within a period of two months from the date of service, that person may file and have considered in the reexamination a reply to any statement filed by the patent owner. That person promptly will serve on the patent owner a copy of any reply filed.

13. 35 U.S.C. 305 provides:

§ 305. Conduct of reexamination proceedings

After the times for filing the statement and reply provided for by section 304 have expired, reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133. In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent

and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. All reexamination proceedings under this section, including any appeal to the Patent Trial and Appeal Board, will be conducted with special dispatch within the Office.

14. 35 U.S.C. 314 (repealed) provided:

§ 314. Conduct of inter partes reexamination proceedings

(a) IN GENERAL.—Except as otherwise provided in this section, reexamination shall be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133. In any inter partes reexamination proceeding under this chapter, the patent owner shall be permitted to propose any amendment to the patent and a new claim or claims, except that no proposed amended or new claim enlarging the scope of the claims of the patent shall be permitted.

(b) RESPONSE.—(1) With the exception of the inter partes reexamination request, any document filed by either the patent owner or the third-party requester shall be served on the other party. In addition, the Office shall send to the third-party requester a copy of any communication sent by the Of-

fice to the patent owner concerning the patent subject to the inter partes reexamination proceeding.

(2) Each time that the patent owner files a response to an action on the merits from the Patent and Trademark Office, the third-party requester shall have one opportunity to file written comments addressing issues raised by the action of the Office or the patent owner's response thereto, if those written comments are received by the Office within 30 days after the date of service of the patent owner's response.

(c) SPECIAL DISPATCH.—Unless otherwise provided by the Director for good cause, all inter partes reexamination proceedings under this section, including any appeal to the Board of Patent Appeals and Interferences, shall be conducted with special dispatch within the Office.

15. 35 U.S.C. 311 provides:

§ 311. Inter partes review

(a) IN GENERAL.—Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

(b) SCOPE.—A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could

be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

(c) FILING DEADLINE.—A petition for inter partes review shall be filed after the later of either—

(1) the date that is 9 months after the grant of a patent; or

(2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

16. 35 U.S.C. 312 provides:

§ 312. Petitions

(a) REQUIREMENTS OF PETITION.—A petition filed under section 311 may be considered only if—

(1) the petition is accompanied by payment of the fee established by the Director under section 311;

(2) the petition identifies all real parties in interest;

(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including—

(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions;

(4) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

(b) PUBLIC AVAILABILITY.—As soon as practicable after the receipt of a petition under section 311, the Director shall make the petition available to the public.

17. 35 U.S.C. 313 provides:

§ 313. Preliminary response to petition

If an inter partes review petition is filed under section 311, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

18. 35 U.S.C. 314 provides:

§ 314. Institution of inter partes review

(a) THRESHOLD.—The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

(b) TIMING.—The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after—

(1) receiving a preliminary response to the petition under section 313; or

(2) if no such preliminary response is filed, the last date on which such response may be filed.

(c) NOTICE.—The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

(d) NO APPEAL.—The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

19. 35 U.S.C. 315 provides:

§ 315. Relation to other proceedings or actions

(a) INFRINGER'S CIVIL ACTION.—

(1) INTER PARTES REVIEW BARRED BY CIVIL ACTION.—An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) STAY OF CIVIL ACTION.—If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either—

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) TREATMENT OF COUNTERCLAIM.—A counterclaim challenging the validity of a claim of a patent does not constitute a civil action chal-

lenging the validity of a claim of a patent for purposes of this subsection.

(b) PATENT OWNER'S ACTION.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(c) JOINDER.—If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

(d) MULTIPLE PROCEEDINGS.—Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) ESTOPPEL.—

(1) PROCEEDINGS BEFORE THE OFFICE.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) CIVIL ACTIONS AND OTHER PROCEEDINGS.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

20. 35 U.S.C. 316 provides:

§ 316. Conduct of inter partes review

(a) REGULATIONS.—The Director shall prescribe regulations—

(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as

sealed pending the outcome of the ruling on the motion;

(2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a);

(3) establishing procedures for the submission of supplemental information after the petition is filed;

(4) establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to—

(A) the deposition of witnesses submitting affidavits or declarations; and

(B) what is otherwise necessary in the interest of justice;

(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

(7) providing for protective orders governing the exchange and submission of confidential information;

(8) providing for the filing by the patent owner of a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

(10) providing either party with the right to an oral hearing as part of the proceeding;

(11) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);

(12) setting a time period for requesting joinder under section 315(c); and

(13) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

(b) CONSIDERATIONS.—In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) PATENT TRIAL AND APPEAL BOARD.—The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter.

(d) AMENDMENT OF THE PATENT.—

(1) IN GENERAL.—During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) ADDITIONAL MOTIONS.—Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a

proceeding under section 317, or as permitted by regulations prescribed by the Director.

(3) SCOPE OF CLAIMS.—An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

(e) EVIDENTIARY STANDARDS.—In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

21. 35 U.S.C. 317 provides:

§ 317. Settlement

(a) IN GENERAL.—An inter partes review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the inter partes review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner's institution of that inter partes review. If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).

(b) AGREEMENTS IN WRITING.—Any agreement or understanding between the patent owner

and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of an inter partes review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the inter partes review as between the parties. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

22. 35 U.S.C. 318 provides:

§ 318. Decision of the Board

(a) FINAL WRITTEN DECISION.—If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).

(b) CERTIFICATE.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by opera-

tion of the certificate any new or amended claim determined to be patentable.

(c) INTERVENING RIGHTS.—Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

(d) DATA ON LENGTH OF REVIEW.—The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each inter partes review.

23. 35 U.S.C. 319 provides:

§ 319. Appeal

A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal.

24. 37 C.F.R. 1.111 provides:

§ 1.111 Reply by applicant or patent owner to a non-final Office action.

(a) (1) If the Office action after the first examination (§ 1.104) is adverse in any respect, the applicant or patent owner, if he or she persists in his or her application for a patent or reexamination proceeding, must reply and request reconsideration or further examination, with or without amendment. See §§ 1.135 and 1.136 for time for reply to avoid abandonment.

(2) *Supplemental replies.* (i) A reply that is supplemental to a reply that is in compliance with § 1.111(b) will not be entered as a matter of right except as provided in paragraph (a)(2)(ii) of this section. The Office may enter a supplemental reply if the supplemental reply is clearly limited to:

(A) Cancellation of a claim(s);

(B) Adoption of the examiner suggestion(s);

(C) Placement of the application in condition for allowance;

(D) Reply to an Office requirement made after the first reply was filed;

(E) Correction of informalities (*e.g.*, typographical errors); or

(F) Simplification of issues for appeal.

(ii) A supplemental reply will be entered if the supplemental reply is filed within the period during which action by the Office is suspended under § 1.103(a) or (c).

(b) In order to be entitled to reconsideration or further examination, the applicant or patent owner must reply to the Office action. The reply by the applicant or patent owner must be reduced to a writing which distinctly and specifically points out the supposed errors in the examiner's action and must reply to every ground of objection and rejection in the prior Office action. The reply must present arguments pointing out the specific distinctions believed to render the claims, including any newly presented claims, patentable over any applied references. If the reply is with respect to an application, a request may be made that objections or requirements as to form not necessary to further consideration of the claims be held in abeyance until allowable subject matter is indicated. The applicant's or patent owner's reply must appear throughout to be a *bona fide* attempt to advance the application or the reexamination proceeding to final action. A general allegation that the claims define a patentable invention without specifically pointing out how the language of the claims patentably distinguishes them from the references does not comply with the requirements of this section.

(c) In amending in reply to a rejection of claims in an application or patent under reexamination, the applicant or patent owner must clearly point out the patentable novelty which he or she thinks the claims present in view of the state of the art disclosed by the references cited or the objections made. The applicant or patent owner must also show how the amendments avoid such references or objections.

25. 37 C.F.R. 1.176 provides:

§ 1.176 Examination of reissue.

(a) A reissue application will be examined in the same manner as a non-reissue, non-provisional application, and will be subject to all the requirements of the rules related to non-reissue applications. Applications for reissue will be acted on by the examiner in advance of other applications.

(b) Restriction between subject matter of the original patent claims and previously unclaimed subject matter may be required (restriction involving only subject matter of the original patent claims will not be required). If restriction is required, the subject matter of the original patent claims will be held to be constructively elected unless a disclaimer of all the patent claims is filed in the reissue application, which disclaimer cannot be withdrawn by applicant.

26. 37 C.F.R. 1.530(j) provides in pertinent part:

§ 1.530 Statement by patent owner in *ex parte* reexamination; amendment by patent owner in *ex*

***parte* or *inter partes* reexamination; inventorship change in *ex parte* or *inter partes* reexamination.**

* * * * *

(j) *No enlargement of claim scope.* No amendment may enlarge the scope of the claims of the patent or introduce new matter. No amendment may be proposed for entry in an expired patent. Moreover, no amendment, other than the cancellation of claims, will be incorporated into the patent by a certificate issued after the expiration of the patent.

* * * * *

27. 37 C.F.R. 1.550(a)-(b) provides in pertinent part:

§ 1.550 Conduct of *ex parte* reexamination proceedings.

(a) All *ex parte* reexamination proceedings, including any appeals to the Board of Patent Appeals and Interferences, will be conducted with special dispatch within the Office. After issuance of the *ex parte* reexamination order and expiration of the time for submitting any responses, the examination will be conducted in accordance with §§ 1.104 through 1.116 and will result in the issuance of an *ex parte* reexamination certificate under § 1.570.

(b) The patent owner in an *ex parte* reexamination proceeding will be given at least thirty days to respond to any Office action. In response to any rejection, such response may include further statements and/or proposed amendments or new claims

to place the patent in a condition where all claims, if amended as proposed, would be patentable.

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28. 37 C.F.R. 1.937(a)-(b) provides in pertinent part:

§ 1.937 Conduct of *inter partes* reexamination.

(a) All *inter partes* reexamination proceedings, including any appeals to the Patent Trial and Appeal Board, will be conducted with special dispatch within the Office, unless the Director makes a determination that there is good cause for suspending the reexamination proceeding.

(b) The *inter partes* reexamination proceeding will be conducted in accordance with §§ 1.104 through 1.116, the sections governing the application examination process, and will result in the issuance of an *inter partes* reexamination certificate under § 1.997, except as otherwise provided.

* * * * *

29. 37 C.F.R. 42.100 provides:

§ 42.100 Procedure; pendency.

(a) An *inter partes* review is a trial subject to the procedures set forth in subpart A of this part.

(b) A claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.

(c) An *inter partes* review proceeding shall be administered such that pendency before the Board after institution is normally no more than one year. The time can be extended by up to six months for good cause by the Chief Administrative Patent Judge, or adjusted by the Board in the case of joinder.

30. 37 C.F.R. 42.108 provides:

§ 42.108 Institution of *inter partes* review.

(a) When instituting *inter partes* review, the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.

(b) At any time prior to institution of *inter partes* review, the Board may deny some or all grounds for unpatentability for some or all of the challenged claims. Denial of a ground is a Board decision not to institute *inter partes* review on that ground.

(c) Sufficient grounds. *Inter partes* review shall not be instituted for a ground of unpatentability unless the Board decides that the petition supporting the ground would demonstrate that there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable. The Board's decision will take into account a patent owner preliminary response where such a response is filed.

31. 37 C.F.R. 42.121 provides:

§ 42.121 Amendment of the patent.

(a) *Motion to amend.* A patent owner may file one motion to amend a patent, but only after conferring with the Board.

(1) *Due date.* Unless a due date is provided in a Board order, a motion to amend must be filed no later than the filing of a patent owner response.

(2) *Scope.* A motion to amend may be denied where:

(i) The amendment does not respond to a ground of unpatentability involved in the trial; or

(ii) The amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter.

(3) *A reasonable number of substitute claims.* A motion to amend may cancel a challenged claim or propose a reasonable number of substitute claims. The presumption is that only one substitute claim would be needed to replace each challenged claim, and it may be rebutted by a demonstration of need.

(b) *Content.* A motion to amend claims must include a claim listing, which claim listing may be contained in an appendix to the motion, show the changes clearly, and set forth:

(1) The support in the original disclosure of the patent for each claim that is added or amended; and

(2) The support in an earlier-filed disclosure for each claim for which benefit of the filing date of the earlier filed disclosure is sought.

(c) *Additional motion to amend.* In addition to the requirements set forth in paragraphs (a) and (b) of this section, any additional motion to amend may not be filed without Board authorization. An additional motion to amend may be authorized when there is a good cause showing or a joint request of the petitioner and the patent owner to materially advance a settlement. In determining whether to authorize such an additional motion to amend, the Board will consider whether a petitioner has submitted supplemental information after the time period set for filing a motion to amend in paragraph (a)(1) of this section.